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 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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:

<TABLE>
<CAPTION>

Title of Stock	Name of each exchange on which registered
<S>	<C>
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
7.75% Convertible Subordinated Debentures due 2002	New York Stock Exchange
8.25% Convertible Subordinated Debentures due 2001	New York Stock Exchange

</TABLE>

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 $110,076,000 as of January 29, 2001.

26,031,414
(Number of shares of common stock outstanding as of January 29, 2001)

Part III is incorporated by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders.

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 ANNUAL REPORT 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 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 objectives are to sustain and enhance stockholder equity value and 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 these objectives, we attempt to invest in properties that provide opportunity for additional value and current returns to our stockholders and diversify our investment portfolio by geographic location, operator and form of investment.

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, 2000, we had a gross investment portfolio (adjusted to include mortgage loans to third parties underlying our investment in REMIC certificates) of $845.5 million. Our investment portfolio consisted of $551.2 million in 249 skilled nursing facilities with 28,364 beds, $269.9 million in 94 assisted living facilities with 4,366 units and $24.4 million in four schools. 71 healthcare providers and two education providers in 36 states operate the properties in our portfolio.

OWNED PROPERTIES. During 2000, we acquired two skilled nursing facilities with a total of 393 beds from a related party for a gross purchase price (based upon independent appraisals) of $19.2 million and invested approximately

$4.3 million in the expansion and improvement of existing properties. Mortgage loans with outstanding principal balances totaling $12.3 million that were secured by eight long-term care facilities with 771 beds/units were converted into owned properties. As of December 31, 2000, our investment in owned properties consisted of 66 skilled nursing facilities with a total of 7,797 beds, 86 assisted living facilities with a total of 3,997 units and four schools in 26 states, representing a gross investment of approximately $468.5 million.

During the year ended December 31, 2000, the Company sold 11 skilled nursing facilities, one assisted living facility and two schools. These sales resulted in a net gain of approximately $9.0 million.

The majority of our long-term care facilities are leased to operators pursuant to long-term operating leases that generally have an initial term of 10 to 20 years and provide for increases in the rent based upon specified rate increases, increases in revenues over defined base periods, or increases based on consumer price indices. Currently we have one-year leases on 21 skilled nursing facilities that expire June 30, 2001 and month-to-month leases on two skilled nursing facilities with a related party. All leases are triple net leases that require 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 2000, we advanced $1.0 million for renovation and expansion under a mortgage loan previously provided on a skilled nursing facility. At December 31, 2000, we had 48 mortgage loans secured by first mortgages on 45 skilled nursing facilities with a total of 5,160 beds and eight assisted living residences with 369 units located in 22 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") that, 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, 2000, we had investments in REMIC Certificates with a carrying value of $95.0 million ($96.3 million, at amortized cost, prior to any adjustment of available for sale certificates to fair market value).

FINANCING AND OTHER TRANSACTIONS. During 2000, we obtained a $185.0 million Senior Secured Revolving Line of Credit that expires on October 2, 2004, which bears interest between LIBOR plus 2.00% and LIBOR plus 3.00%. The Senior Secured Revolving Line of Credit initially provides for $185.0 million of total commitments with periodic reductions of these commitments to fully retire the commitments as of October 2, 2004. Specifically, scheduled available commitments as of December 31, 2000, 2001, 2002 and 2003 are $185.0 million, $157.5 million, $95.0 million and $75.0 million, respectively. As of December 31, 2000 borrowings of $118.0 million bearing interest at LIBOR plus 2.50% were outstanding under the revolving credit facility.

The two skilled nursing facilities acquired during 2000 were acquired subject to the assumption of existing non-recourse mortgage debt of $13.7 million that bears interest at a weighted average rate of 9.25%.

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 certificate of need and/or licensing procedures limit the entry of competing facilities. We believe that assisted living facilities are an important sector in the long-term care market and our investments in recent years have included 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 outside of health care real estate to $20.0 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 2000 and intend to continue to limit our investment activity in 2001. At December 31, 2000, 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. To the extent that we receive net cash proceeds from such borrowings, the terms of our revolving credit facility require us to reduce the outstanding commitment and repay an equal amount of the net cash proceeds received from such borrowings on amounts outstanding under the revolver.

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 2000 and intend to continue to limit our investment activity in 2001.

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 years. See "GOVERNMENTAL REGULATION" below. 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 2000. 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 $14.8 million. See "Item 8. FINANCIAL STATEMENTS - NOTE 5. IMPAIRMENT CHARGE".

LTC HEALTHCARE, INC.

During 1998, we completed the spin-off of all LTC Healthcare, Inc. ("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. Upon completion of the distribution, LTC Healthcare began operating as a separate public company.

As of December 31, 2000, 27 of our skilled nursing facilities with a gross carrying value of $67.1 million were leased to LTC Healthcare. Also, as of December 31, 2000, LTC Healthcare had mortgage loans secured by six skilled nursing facilities with total outstanding principal balances of $16.4 million and a weighted average interest rate of 9.25% 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 LTC Healthcare and the remaining four skilled nursing facilities are leased to third party operators. Subsequent to December 31, 2000, we agreed with LTC Healthcare to an early termination of four leases with annual rents totaling approximately $0.7 million. Leases on 23 of the facilities currently operated by LTC Healthcare with annual base rents totaling $3.4 million will expire on or before June 30, 2001. 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.

We have provided LTC Healthcare with a $20.0 million unsecured line of credit that bears interest at 10% and matures in March 2008. As of December 31, 2000, $16.6 million was outstanding under the line of credit. Under the terms of the new Senior Secured Revolving Line of Credit, we are permitted to loan LTC Healthcare up to $25.0 million. We have not increased the $20.0 million unsecured line of credit between the companies. Should any such amendment be proposed, it would need approval of the independent Board members of each company's board.

As of December 31, 2000, we owned 180,000 shares of LTC Healthcare common stock.

EMPLOYEES

We currently employ 19 people.

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 that 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. Payment is determined by resource utilization groups ("RUGs"). 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 and the Benefits Improvement and Protection Act of 2000) increased the per diem rate for certain higher-acuity patients. The Balanced Budget Act also instituted a consolidated billing requirement for skilled nursing facilities, under which such facilities must submit Medicare claims to the fiscal intermediary for all the Part A and Part B services that its residents receive, except for certain specifically excluded services. Moreover, the law established: (1) a $1,500 per beneficiary annual cap for all outpatient physical therapy services and speech language pathology services; and (2) a $1,500 per beneficiary annual cap for all outpatient occupational therapy services. As of April 2000, these annual caps were removed.

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. In the Balanced Budget Refinement Act, enacted November 29, 1999, Congress sought 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 began on April 1, 2000, and will end when the Health Care Financing Administration ("HCFA") implements a refined RUG 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. The law also excluded certain additional items and services from the Part A skilled nursing facility consolidated billing requirement.

BENEFITS IMPROVEMENT AND PROTECTION ACT - MEDICARE. The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000, signed into law December 21, 2000, includes provisions designed to further mitigate the effects of reimbursement cuts contained in the Balanced Budget Act. Among other things, the Benefits Improvement and Protection Act eliminates the scheduled reduction in the skilled nursing facility market basket update in fiscal year 2001, implemented in two phases. Specifically, the update rate for October 1, 2000 through March 31, 2001 is the market basket index ("MBI") increase minus one percentage point; the update for the period April 1, 2001 through September 30, 2001 is the MBI increase plus one percentage point. This increase will not be included when determining payment rates for the subsequent period. In fiscal years 2002 and 2003, payment updates will equal the MBI increase minus 0.5 percentage points. Temporary increases in the federal per diem rates under the Balanced Budget Refinement Act will be in addition to these payment increases. The Benefits Improvement and Protection Act also increases payment for the nursing component of each RUG by 16.66 percent for services furnished after April 1, 2001 and before October 1, 2002. Moreover, the Benefits Improvement and Protection Act further refines the consolidated billing requirements. Specifically, effective January 1, 2001, the law limits consolidated billing requirements to items and services furnished to skilled nursing facility residents in a Medicare Part A covered stay and therapy services covered under Part B. In other words, for residents not covered under a Part A stay, SNFs may choose to bill for non-therapy Part B services and supplies, or they may elect to have suppliers continue to bill Medicare directly for these services. The Benefits Improvement and Protection Act also modifies the treatment of the rehabilitation patient categories to ensure that Medicare payments for skilled nursing facility residents with "ultra high" and "high" rehabilitation therapy needs are appropriate in relation to payments for residents needing "medium" or "low" levels of therapy. Specifically, effective for services furnished on or after April 1, 2002 and before implementation of the refined RUG system (discussed above), the law increases by 6.7 percent the federal per diem payments for 14 rehabilitation categories. The 20 percent additional payment under the Balanced Budget Refinement Act for the three rehabilitation categories is removed to make this provision budget neutral. The Benefits Improvement and Protection Act also permits the Secretary of HHS to establish a process for geographic reclassification of skilled nursing facilities based upon the method used for inpatient hospitals. In addition, the law extends the moratorium on the physical therapy and occupational therapy payment caps for one year, through 2002.

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.

On January 12, 2001, the Secretary of HHS issued final regulations to implement changes to the Medicaid "upper payment limit" requirements. The purpose of the rule is to stop states from using certain accounting techniques to inappropriately obtain extra federal Medicaid matching funds that are not necessarily spent on health care services for Medicaid beneficiaries. Although the rule will be phased in over eight years to reduce the adverse impact on certain states, the rule eventually could result in decreased federal funding to state Medicaid programs, which, in turn, could prompt certain states to reduce Medicaid reimbursements to providers, including nursing facilities.

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 our operators or we 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.

The Clinton administration implemented several 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 are 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. On January 4, 2001, HCFA released the first part of the long-awaited Stark II final rule. This final rule will be divided into two phases. Phase I focuses on the provisions related to prohibited referrals, the general exception to ownership and compensation arrangement prohibitions and the related definitions. Most of Phase I of the rulemaking will become effective

January 4, 2002, one year after the date of its publication in the FEDERAL REGISTER. Phase II of the final rule is expected to be released in early 2001. Phase II will cover the remaining portions of the statute, including those pertaining to Medicaid. Phase I of the final rule eases certain of the restrictions in the proposed rule, including the criteria for qualifying as a group practice. The final rule also, among other things: conforms the supervision requirements to HCFA coverage and payment policies for the specific services; clarifies the definitions of designated health services and indirect financial relationships; and creates new exceptions for indirect compensation arrangements and compensation of faculties in academic medical centers.

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.

HEALTH INFORMATION PRACTICES. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") mandates, among other things, the adoption of standards for the exchange of electronic health information in an effort to encourage overall administrative simplification and enhance the effectiveness and efficiency of the healthcare industry. Among the standards that HHS will adopt pursuant to the Health Insurance Portability and Accountability Act are standards for the following:

- *electronic transactions and code sets;
- *unique identifiers for providers, employers, health plans and individuals;
- *security and electronic signatures;
- *privacy; and
- *enforcement.

Although HIPAA was intended ultimately to reduce administrative expenses and burdens faced within the healthcare industry, we believe the law will initially bring about significant and, in some cases, costly changes. HHS has released two rules to date mandating the use of new standards with respect to certain healthcare transactions and health information. The first rule requires the use of uniform standards for common healthcare transactions, including healthcare claims information, plan eligibility, referral certification and authorization, claims status, plan enrollment and disenrollment, payment and remittance advice, plan premium payments and coordination of benefits, and it establishes standards for the use of electronic signatures.

Second, HHS has released new standards relating to the privacy of individually identifiable health information. These standards not only require our operators' compliance with rules governing the use and disclosure of protected health information, but they also require entities to impose those rules, by contract, on any business associate to whom such information is disclosed. Rules governing the security of health information have been proposed but have not yet been issued in final form.

HHS finalized the new transaction standards on August 17, 2000, and covered entities, such as our operators, will be required to comply with them by October 16, 2002. The privacy standards were issued on December 28, 2000, and become effective on February 26, 2001 with a compliance date of February 26, 2003. On January 20, 2001, the Bush Administration issued a memorandum directing federal executive departments and agencies to delay by 60 days the effective date of regulations that have been issued, but which have not yet taken effect. The memorandum contains an exception for congressionally mandated regulations that appears to exempt these

privacy standards from the directive. Even if the directive is determined to be applicable to these standards, it may not result in changes to the regulations or in a delay in the compliance date. The Bush Administration and Congress are taking a careful look at the existing regulations, but it is uncertain whether there will be changes to the privacy standards or their compliance date. With respect to the security regulation, once they are issued in final form, affected parties will have approximately two years to be fully compliant. Sanctions for failing to comply with HIPAA include criminal penalties and civil sanctions.

We believe the operators of our healthcare properties are aware of and should be evaluating the effect of HIPAA. We believe our operators cannot at this time estimate the cost of such compliance, nor estimate the cost of compliance with standards that have not yet been finalized. The new and proposed health information standards are likely to have a significant effect on the manner in which the operators of our healthcare properties handle health data and communicate with payors. However, based on our current knowledge, we cannot currently estimate the cost of compliance or if there will be a material adverse effect on our business, financial condition or results of operations as a result of our operators experiencing increased costs for compliance.

COMPLIANCE PROGRAM. On March 16, 2000, the Office of Inspector General of HHS ("OIG") issued 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 guidance, COMPLIANCE PROGRAM GUIDANCE FOR NURSING FACILITIES, was published as a notice in the FEDERAL REGISTER.

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 as long as we distribute all of our taxable income as dividends. 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 15.

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. Alternatively, they must be declared and payable to shareholders of record in either October, November, or December and paid during January of the following year. In addition, if we elect, the dividends may be declared before the due date of the tax return (including extensions) and paid on or before the first regular dividend payment date after such declaration, and we must specify the dollar amount in our tax returns.

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 cannot 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, after July 12, 1999, the REIT acquires additional securities of such corporation or if such corporation 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.

ITEM 2. PROPERTIES

INVESTMENT PORTFOLIO

At December 31, 2000, our real estate investment portfolio consisted of investments in 249 skilled nursing facilities with 28,364 beds, 94 assisted living facilities with 4,366 units and four schools in 36 states. We had approximately $468.5 million (before accumulated depreciation of $47.2 million) invested in facilities we own and lease to operators, approximately $107.4 million invested in mortgage loans (before allowance for doubtful accounts of $1.3 million), and investments in REMIC certificates with a carrying value of approximately $95.0 million ($96.3 million at amortized cost, prior to any adjustment of available for sale certificates to fair market value).

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, 2000, we owned 66 skilled nursing facilities with a total of 7,797 beds, 86 assisted living facilities with a total of 3,997 units and four schools in 26 states, representing a gross investment of approximately $468.5 million. 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 20 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, 2000 (DOLLAR AMOUNTS IN THOUSANDS) :

<TABLE>
<CAPTION>

Location	No. of SNFs	No. of ALFs	No. of Schools	No. of Beds /Units(1)	Encumbrances (2)	Lease Term (3)	Current Investment	Current Annual Rent Payments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Alabama	8	1		912	$ 14,121	150	$ 29,288	$ 4,064
Arizona	4	3	2	1,026	20,927	86	58,076	5,927
California	1	2		254		144	13,941	1,375
Colorado	1	6		325	6,881	117	20,128	2,080
Florida	6	6		1,385	1,632	68	43,845	3,715
Georgia	6	1		654	13,901	23	13,433	1,139
Idaho		4		148		102	9,756	1,019
Illinois	3			283	968	30	8,223	805
Indiana		2		78		114	5,070	506
Iowa	7	1		645	8,813	27	15,007	877
Kansas	6	4		571	4,901	64	16,581	1,359
Minnesota			1	-		151	3,814	394
Nebraska		4		156		103	9,332	999
New Jersey		1	1	39		153	12,195	1,299
New Mexico		1		109		146	8,432	775
N. Carolina		5		210		96	13,091	1,383
Ohio		7		301		121	23,109	2,361
Oklahoma		6		221	4,894	80	12,315	1,225
Oregon	1	4		324	4,126	92	17,454	1,862
Pennsylvania		1		69		208	8,327	801
South Carolina		3		128		96	7,610	819
Tennessee	3			201		22	3,832	425
Texas	15	13		2,632	28,653	65	68,698	5,575
Virginia	3			443		20	9,172	337
Washington	2	8		497	10,101	146	24,959	2,636
Wyoming		3		183		146	12,810	1,160
TOTAL	66	86	4	11,794	$119,918(4)		$468,498(5)	

$44,917
==========
</TABLE>

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

(2) In addition to these encumbrances, 11 skilled nursing facilities with 1,124 beds and 49 assisted living facilities with 2,328 units with a gross investment value of $188,475,000 are pledged as collateral for our Senior Secured Revolving Line of Credit.

(3) Weighted average remaining months in lease term.

(4) Consists of: i) $103,341,000 of non-recourse mortgages payable by the Company secured by 37 skilled nursing facilities containing a total of 4,576 beds, 10 assisted living facilities with 420 units, ii) $7,550,000 of tax-exempt bonds secured by five assisted living facilities in Washington with 188 units, iii) $4,901,000 of capital lease obligations on four assisted living facilities in Kansas with 134 units, and iv) $4,126,000 of multi-unit housing tax-exempt revenue bonds on one assisted living facility in Oregon with 112 units. As of December 31, 2000, the Company's gross investment in properties encumbered by mortgage loans, bonds and capital leases was $171,363,000.

(5) Of the total, $195,137,000 relates to investments in skilled nursing facilities, $248,943,000 relates to investments in assisted living facilities and $24,418,000 relates to investments in schools.

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, 2000, we had 48 mortgage loans secured by first mortgages on 45 skilled nursing facilities with a total of 5,160 beds and eight assisted living residences with 369 units located in 22 states. At December 31, 2000, the mortgage loans had a weighted average interest rate of 11.52%, generally have 25-year amortization schedules, have balloon payments due from 2001 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, 2000 (DOLLAR AMOUNTS IN THOUSANDS) :

<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 Debt Service (1)
Alabama	1		40	10.25	212	$ 500	$ 481	$ 59
Arizona	2		400	10.96-12.00	30	7,650	5,145	308
Arkansas	2		274	10.50-10.70	123	3,400	3,091	409
California	6		886	10.03-13.60	143	12,771	12,106	1,582
Colorado	3		263	11.63-13.12	62	6,600	6,375	826
Florida	5	1	582	10.15-13.50	79	16,690	14,361	2,039
Georgia	2		173	11.24-11.43	75	3,950	3,848	478
Illinois	1		120	9.83	92	1,950	1,901	210

Iowa	1	1	143	11.22-12.08	84	4,400	4,321	535
Mississippi	1		180	11.32	69	5,465	5,363	662
Missouri	1		90	9.13	210	1,500	1,425	163
Montana		1	34	11.44	154	2,346	2,323	277
Nebraska		4	163	10.43-11.22	94	10,911	10,761	1,259
Nevada	1		100	10.88	116	1,200	1,074	147
N. Carolina	1		101	12.50	2	2,100	1,976	273
Ohio	1		150	10.59	64	5,200	4,972	596
Oklahoma	1		161	11.40	127	1,300	1,201	165
S. Carolina	5		509	12.67	26	11,250	10,828	1,449
S. Dakota		1	34	11.22	100	2,346	2,328	273
Texas	6		701	10.50-13.35	135	7,945	7,174	910
Washington	4		310	11.60-12.00	119	4,500	4,271	576
Wisconsin	1		115	11.00	195	2,200	2,074	273
TOTAL	45	8	5,529			$116,174	$107,399(2)	$13,469

</TABLE>

(1) Includes principal and interest payments.

(2) Of the total current principal balance, $86,416,000 and $20,983,000 relates to investments in skilled nursing facilities and assisted living facilities, respectively. All mortgage loans are pledged as collateral for our Senior Secured Revolving Line of Credit.

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, 2000, the carrying value of the REMIC certificate investments was $95.0 million ($96.3 million at amortized cost, prior to any adjustment of available for sale certificates to fair market value). These certificates are pledged as collateral for our Senior Secured Revolving Line of Credit. 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 118 first mortgage loans secured by 172 skilled nursing facilities with a total of 19,680 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 $348.2 million current principal amount of mortgage loans represented by the REMIC certificates have a weighted average interest rate of approximately 11.14%, and scheduled maturities ranging from 2001 to 2028.

The following table sets forth certain information regarding the mortgage loans securing the REMIC certificates as of December 31, 2000 (DOLLAR AMOUNTS IN

THOUSANDS):

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
Alabama	9	1,189	$ 22,526	$ 21,395	$ 2,786
Arizona	5	955	26,018	24,590	2,896
California	22	2,433	46,645	35,709	5,098
Colorado	1	177	2,000	1,927	240
Connecticut	1	150	2,276	2,164	281
Florida	7	945	32,310	30,646	3,771
Georgia	12	1,318	27,272	25,972	3,361
Illinois	3	282	5,126	4,928	621
Iowa	11	810	16,731	16,446	1,913
Kansas	1	66	1,200	1,148	146
Louisiana	1	127	1,600	1,503	202
Michigan	3	444	6,800	6,372	853
Mississippi	3	400	14,050	10,395	1,200
Missouri	6	645	10,989	10,477	1,329
Montana	6	547	15,508	14,856	1,803
Nebraska	6	573	10,014	9,497	1,221
New Mexico	8	673	20,833	19,551	2,207
N. Carolina	1	168	2,950	2,820	411
Ohio	2	150	4,100	3,505	484
Oklahoma	1	112	1,300	1,159	171
S. Dakota	1	50	585	557	66
Tennessee	6	550	16,827	16,218	2,067
Texas	52	6,627	88,491	81,995	10,520
Washington	4	289	4,583	4,371	553
TOTAL	172	19,680	$380,734	$348,201	$44,200

(1) Included in the balances of the mortgages underlying the REMIC certificates are $78,540,000 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 2001 to 2028, unless prepaid prior thereto. Contractual principal and interest distributions with respect to the $96.3 million amortized cost basis of REMIC certificates (excluding unrealized losses on changes in estimated fair value of $1.3 million) we retained are subordinated to distributions of interest and principal with respect to the $268.3 million of REMIC certificates held by third parties. Thus, based on the terms of the underlying mortgages and assuming no unscheduled prepayments occur, scheduled principal distributions on the REMIC certificates we retained will commence in August 2003 with final distributions 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 contains 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, 2000, the REMIC certificates we held had an effective interest rate of approximately 17.11% 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

<TABLE>
<CAPTION>

NAME	AGE	POSITION
Andre C. Dimitriadis	60	Chairman, Chief Executive Officer and Director
Wendy L. Simpson	51	Vice Chairman, Chief Financial Officer, and Director
James J. Pieczynski	38	Chief Strategic Planning Officer, and Director
Christopher T. Ishikawa	37	Executive Vice President and Chief Investment Officer
Julia L. Kopta	51	Executive Vice President and General Counsel
Alex J. Chavez	36	Senior Vice President and Treasurer

</TABLE>

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, and LTC Healthcare, Inc.

Ms. Simpson has served as Vice Chairman since April 2000 and Chief Financial Officer since July 2000. Prior to that she was a financial advisor to Coram Healthcare Corporation, a healthcare organization, from November 1999 through March 31, 2000. Ms. Simpson joined Coram as Executive Vice President and Chief Financial Officer in March 1998 and resigned as an officer of Coram in November 1999. Prior to joining Coram, Ms. Simpson was Executive Vice President, Chief Financial Officer, Chief Operating Officer and director of Transitional Hospitals Corporation from December 1994 to August 1997 and Senior Vice President and Chief Financial Officer from July 1994 to December 1994. Coram Healthcare Corporation commenced bankruptcy proceedings in August 2000.

Mr. Pieczynski has served as Chief Strategic Planning Officer since July 2000. Prior to that he 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. Pieczynski is a member of the board of LTC Healthcare, Inc.

Mr. Ishikawa has served as Executive Vice President and Chief Investment Officer since February 2001 and 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. Mr. Ishikawa is a member of the board of LTC Healthcare, Inc.

Ms. Kopta has served as Executive Vice President and General Counsel since February 2001 and 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.

Mr. Chavez has served as Senior Vice President and Treasurer since February 2001 and Vice President and Treasurer since December 1999. Prior to that, he served as Director of Finance since June 1996 and became Vice President in September 1997. Prior to joining LTC, he was employed by the international accounting firm of Ernst & Young, LLP, where he served as Audit Manager specializing in the healthcare and real estate industries from 1990 to 1996.

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>

	2000		1999	
	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
First Quarter	$9.375	$5.1875	$17.1250	$10.5625
Second Quarter	7.750	4.0000	13.9375	10.7500
Third Quarter	6.375	2.9375	13.3125	10.7500
Fourth Quarter	4.500	3.0625	10.8750	7.7500

</TABLE>

(b) As of December 31, 2000 we had approximately 750 stockholders of record of our common stock.

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

<TABLE>
<CAPTION>

	2000	1999
<S>	<C>	<C>
First Quarter	$. 29	$.39
Second Quarter	.29	.39
Third Quarter	.29	.39
Fourth Quarter	.00	.39
	$0.87	$1.56

</TABLE>

We intend to distribute to our stockholders 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 our real estate investments. Provisions of our Senior Secured Revolving Line of Credit Agreement limit common and preferred cash dividends to no more than 110% of consolidated taxable income. 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>

	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
OPERATING INFORMATION:					
Revenues	$ 87,130	$ 87,662	$ 89,391	$ 73,434	$ 54,930
Expenses:					
Interest expense	27,426	21,836	22,267	23,795	20,604
Depreciation and amortization	15,259	13,483	12,561	9,132	6,298
Amortization of founders' stock	-	-	-	31	114
Provision for loan losses	-	-	600	-	-
Minority interest	982	1,018	1,415	1,205	898
Impairment charge	14,822	14,939	-	1,866	-
Operating and other expenses	5,994	5,863	5,084	4,393	4,479
Total expenses	64,483	57,139	41,927	40,422	32,393
Other income (loss)	-	1,304	(6,797)	(48)	6,173
Gain on sale of real estate assets, net	8,990	-	9,926	2,799	-
Net income	31,637	31,827	50,593	35,763	28,710
Preferred dividends	(15,087)	(15,087)	(12,896)	(6,075)	-
Net income available to common stockholders	$ 16,550	$ 16,740	$ 37,697	$ 29,688	$ 28,710
PER SHARE INFORMATION:					
Basic net income	$ 0.63	$ 0.61	$ 1.390	$ 1.260	$ 1.510
Diluted net income	$ 0.63	$ 0.61	$ 1.390	$ 1.250	$ 1.440
Distributions declared	$ 0.87	$ 1.56	$ 1.535	$ 1.435	$ 1.335
BALANCE SHEET INFORMATION:					
Real estate investments, net	$ 622,428	$ 683,736	$ 663,996	$ 640,733	$ 488,134
Total assets	676,585	721,811	689,814	656,664	500,538
Total debt	262,560	292,274	229,695	249,724	283,472
Total liabilities	272,546	303,300	237,900	259,378	299,207
Minority interest	9,912	9,894	10,514	11,159	10,528
Total stockholders' equity	394,127	408,617	441,400	386,127	

190,803

OTHER INFORMATION:

Cash flows provided by operating activities	$ 45,307	$ 60,785	$ 61,885	$ 43,230	$ 33,789
Cash flows provided by (used in) investing activities	45,697	(48,156)	(51,529)	(150,800)	(90,317)
Cash flows provided by (used in) financing activities	(91,789)	(11,477)	(13,827)	109,396	58,242
Funds from operations	$ 37,641	$ 45,162	$ 47,559	$ 38,735	$ 28,793
Basic funds from operations per share	$ 1.44	$ 1.65	$ 1.76	$ 1.65	$ 1.52
Diluted funds from operations per share	$ 1.44	$ 1.64	$ 1.71	$ 1.57	$ 1.44

</TABLE>

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

OPERATING RESULTS

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues for the year ended December 31, 2000 were $87.1 million compared to $87.7 million for the same period in 1999. The net decrease in revenues resulted from decreases in interest from mortgage loans and notes receivable of $4.5 million and interest income from REMIC certificates of $0.7 million and other income of $0.2 million which was offset by increases in rental income of $4.9 million.

Rental income increased $4.9 million primarily as a result of the conversion of mortgage loans into owned properties and the acquisition of two properties. "Same store" rental income (rental income from properties owned for both twelve months ended December 31, 1999 and 2000) increased $0.3 million due to rental rate increases as provided for in the lease agreements, partially offset by the new rental rate discussed in the footnotes (See "Item 8. FINANCIAL STATEMENTS - NOTE 8. LTC HEALTHCARE, INC."). Interest income from mortgage loans and notes receivable decreased due to the conversion of mortgage loans into owned properties. Interest income from REMIC certificates decreased due to the amortization of the related asset. Interest and other income decreased primarily as a result of certain one-time investment gains that were realized in the first half of 1999.

During 2000 and 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 and certain other assets that it determined to be impaired. During 2000 and 1999, the Company recorded impairment charges of $14.8 million and $14.9 million, respectively. (See "Item 8. FINANCIAL STATEMENTS - NOTE 5. IMPAIRMENT CHARGE.") Excluding the impairment charges, total expenses as a percent of total revenues in 2000 were 57% compared to 48% in 1999. Interest expense increased due to higher average outstanding balances on the revolving line of credit combined with higher average interest rates and the assumption of two mortgage loans related to the acquisition of two properties. Depreciation and amortization increased as a result of a larger average investment base in owned properties in 2000 as compared to 1999.

During the year ended December 31, 2000, the Company sold 11 skilled nursing facilities, one assisted living facility and two schools. These sales resulted in a net gain of approximately $9.0 million.

During the year ended December 31, 1999, the Company repurchased an aggregate of $21.6 million face amount of its convertible subordinated debentures at a discount on the open market. A gain of $1.3 million on the repurchase is included in other non-operating income.

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 the change in unrealized gains or losses in current period earnings.

Net income available to common shareholders decreased to $16.6 million for the year ended December 31, 2000 from $16.7 million for the same period in 1999. Excluding the impairment charge and gain on the sale of real estate assets recorded in 2000 and the impairment charge and the gain on the repurchase of convertible subordinated debentures recorded in 1999, net income available to common shareholders was $22.4 million for the year ended December 31, 2000 compared to $30.4 million for the year ended December 31, 1999.

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

Revenues for the year ended December 31, 1999 were $87.7 million compared to $89.4 million for the same period in 1998. The net decrease in revenues resulted from decreases in interest from mortgage loans and notes receivable of $3.5 million and interest and other income of $1.4 million which was offset by increases in rental income of $2.6 million and interest income from REMIC certificates of $0.7 million.

Rental income increased $7.5 million as a result of property acquisitions and the conversion of mortgage loans into owned properties. "Same-store" rents decreased $1.1 million 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 partially 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 $3.3 million related to the contribution of properties to LTC Healthcare in September 1998 and $0.5 million 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 $14.9 million. (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 $21.6 million face amount of its convertible subordinated debentures at a discount on the open market. A gain of $1.3 million 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 $9.9 million 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 $6.8 million.

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, on a prospective basis, the Company no longer recognizes the change in unrealized gains or losses 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 $16.7 million for the year ended December 31, 1999 from $37.7 million 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 $30.4 million for the year ended December 31, 1999 compared to $34.6 million for the year ended December 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000, the Company's real estate investment portfolio (before accumulated depreciation and allowance for doubtful accounts) consisted of $468.5 million invested primarily in owned long-term care facilities, mortgage loans of approximately $107.4 million and subordinated REMIC certificates of approximately $95.0 million with a weighted average effective yield of 17.11%. At December 31, 2000, the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC certificates (all held by outside third parties) was $268.3 million and 7.21%.

During the year ended December 31, 2000, the Company entered into a new Senior Secured Revolving Line of Credit agreement that initially provides for $185.0 million of total commitments with periodic reductions of these commitments to fully retire the commitments as of October 2, 2004. Specifically, scheduled available commitments as of December 31, 2000, 2001, 2002 and 2003 are $185.0 million, $157.5 million, $95.0 million and $75.0 million, respectively. An additional provision of this agreement requires certain amounts of commitment reductions as a result of asset sales, debt issuances or other types of financing. At inception, $183.3 million of owned properties, $113.8 million of mortgage loans receivable and $96.3 million of REMIC certificates were pledged as collateral. At December 31, 2000 commitment availability was $174.0 million and as of January 2, 2001 commitment availability was $171.7 million. These commitment reductions from $185.0 million to $171.7 million were due to asset sales.

At December 31, 2000, the Company had $118.0 million outstanding under the Senior Secured Revolving Line of Credit agreement. Subsequent to December 31, 2000, the Company borrowed $12.0 million to retire the 8.50% Convertible Subordinated Debentures that matured in January 2001.

During the year ended December 31, 2000, the Company had net cash provided by operating activities of $45.3 million. The Company advanced $1.0 million for renovation and expansion under a mortgage loan previously provided on a skilled nursing facility. During 2000, the Company acquired two skilled nursing facilities from a related party for a purchase price (based upon independent appraisals) of $19.2 million and invested approximately $4.3 million in the expansion and improvement of existing properties. The Company sold 11 skilled nursing facilities, one assisted living facility and two schools. These sales resulted in net proceeds of $51.6 million and a net gain of $9.0 million. In addition, the Company provided Healthcare with an additional $11.2 million in borrowings, net of repayments, under the $20.0 million unsecured line of credit that bears interest at 10% and matures in March 2008. Principal payments of $8.8 million were received on mortgage loans receivable, including $7.7 million related to the early payoff of four loans. Mortgage loans with outstanding principal balances totaling $12.3 million that were secured by eight long-term care facilities were converted into owned properties.

During the year ended December 31, 2000, the Company had additional bank borrowings of $125.0 million and repaid $167.0 million. In addition, the Company paid $2.8 million in debt issue costs related to its new Senior Secured Revolving Line of Credit and paid $1.4 million of principal on mortgage loans payable, bonds payable and capital lease obligations. Two of the skilled nursing facilities acquired during 2000 were acquired subject to the assumption of existing non-recourse mortgage debt of $13.7 million that bears interest at a weighted average rate of 9.25%. During the year ended December 31, 2000, the Company repurchased and retired 1,005,600 shares of common stock for an aggregate purchase price of approximately $8.0 million.

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 $7.3 million, $4.5 million, $3.3 million, respectively. In addition, the Company paid three quarterly cash dividends on its common stock totaling $22.7 million.

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 funded some its investments with revolving credit facilities, the Company is at risk of net interest margin deterioration if medium and long-term rates were to increase between the time the Company originated 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 available for sale 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 in amounts sufficient to maintain its REIT status. 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 2000 and intends to continue to limit its investment activity in 2001. At December 31, 2000, the Company had $118.0 million outstanding under a secured credit agreement that matures in October 2004 and convertible subordinated debentures maturing in 2001 totaling $22.2 million.

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>

<S>	2000	1999	1998
Net income available to common stockholders	$ 16,550	$ 16,740	$ 37,697
Real estate depreciation	15,259	13,483	12,561
Impairment charge on real estate investments	14,822	14,939	-
Real estate depreciation included in equity earnings	-	-	430
Gain on sale of real estate	(8,990)	-	(9,926)
Unrealized (gain) loss on REMIC Certificates	-	-	6,797
FFO available to common stockholders	$ 37,641	$ 45,162	$ 47,559
Diluted FFO available to common stockholders	$ 39,194	$ 51,582	$ 55,871
Basic FFO per share	$ 1.44	$ 1.65	$ 1.76
Diluted FFO per share	$ 1.44	$ 1.64	$ 1.71
Shares for basic FFO per share	26,108	27,412	27,077
Shares for diluted FFO per share	27,213	31,548	32,762

</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.

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. We had no such financial investments outstanding in 2000.

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, 2000, based on the prevailing interest rates for comparable loans and estimates made by management, the fair value of our mortgage loans receivable was approximately $107.7 million. A 1% increase in such rates would decrease the estimated fair value of our mortgage loans by approximately $4.7 million while a 1% decrease in such rates would increase their estimated fair value by approximately $5.0 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, 2000 and taking into effect our draw under the revolving line of credit in January 2001 remain constant for the remainder of 2001, a 1% increase in interest rates would increase annual interest expense on our revolving line of credit by approximately $1.3 million. Conversely, a 1% decrease in interest rates would decrease annual interest expense on our revolving line of credit by $1.3 million.

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, 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, 2000 and 1999 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, 2000. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 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 19, 2001,
except for Note 12, which date is
February 1, 2001

LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	DECEMBER 31, 2000 <C>	DECEMBER 31, 1999 <C>
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 2000 - $47,181; 1999 - $39,975	$ 397,833	$ 430,776
Land	23,484	24,162
Mortgage loans receivable, net of allowance for doubtful accounts: 2000 - $1,250; 1999 - $1,250	106,149	131,193
REMIC Certificates	94,962	97,605
Real estate investments, net	622,428	683,736
Other Assets:		
Cash and cash equivalents	1,870	2,655
Debt issue costs, net	3,396	1,699
Interest receivable	4,558	4,050
Prepaid expenses and other assets	11,878	9,144
Marketable debt securities	15,873	14,190
Note receivable from LTC Healthcare, Inc.	16,582	6,337
	54,157	38,075
Total assets	$ 676,585	$ 721,811
LIABILITIES AND STOCKHOLDERS' EQUITY		
Convertible subordinated debentures	$ 24,642	$ 24,642
Bank borrowings	118,000	160,000
Mortgage loans payable	103,341	90,536
Bonds payable and capital lease obligations	16,577	17,096
Accrued interest	2,260	2,794
Accrued expenses and other liabilities	6,741	7,247
Distributions payable	985	985
Total liabilities	272,546	303,300
Minority interest	9,912	9,894
Stockholders' equity:		
Preferred stock $0.01 par value; 10,000 shares authorized; shares issued and outstanding: 2000 - 7,080; 1999 - 7,080	165,500	165,500
Common stock $0.01 par value; 40,000 shares authorized; shares issued and outstanding: 2000 - 26,031; 1999 - 27,036	260	270

Capital in excess of par value	296,568	304,527
Cumulative net income	221,734	190,097
Notes receivable from stockholders	(10,126)	(10,258)
Accumulated comprehensive loss	(1,746)	(1,246)
Cumulative distributions	(278,063)	(240,273)
Total stockholders' equity	394,127	408,617
Total liabilities and stockholders' equity	$ 676,585	$ 721,811

</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,		
	2000	1999	1998
<S>	<C>	<C>	<C>
Revenues:			
Rental income	$ 49,958	$ 45,086	$ 42,534
Interest income from mortgage loans and notes receivable	15,025	19,506	23,030
Interest income from REMIC Certificates	16,852	17,598	16,945
Interest and other revenue	5,295	5,472	6,882
Total revenues	87,130	87,662	89,391
Expenses:			
Interest expense	27,426	21,836	22,267
Depreciation and amortization	15,259	13,483	12,561
Provision for loan losses	-	-	600
Minority interest	982	1,018	1,415
Impairment charge	14,822	14,939	-
Operating and other expenses	5,994	5,863	5,084
Total expenses	64,483	57,139	41,927
Operating income	22,647	30,523	47,464
Other income, net	-	1,304	(6,797)
Gain on sale of real estate assets, net	8,990	-	9,926
Net income	31,637	31,827	50,593
Preferred dividends	15,087	15,087	12,896
Net income available to common stockholders	$ 16,550	$ 16,740	$ 37,697
Net Income Per Common Share:			
Basic net income per common share	$ 0.63	$ 0.61	$ 1.39
Diluted net income per common share	$ 0.63	$ 0.61	$ 1.39
Comprehensive Income:			
Net income available to common stockholders	$ 16,550	$ 16,740	$ 37,697
Unrealized loss on available-for-sale equity securities	(500)	(1,246)	-
Total comprehensive income	$ 16,050	$ 15,494	$ 37,697

</TABLE>

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	SHARE				
	PREFERRED STOCK	COMMON STOCK	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE
<S>	<C>	<C>	<C>	<C>	<C>
Balance - December 31, 1997	5,080	25,025	$127,000	$250	$277,732
Issuance of Series C Preferred Stock	2,000	-	38,500	-	(895)
Exercise of stock options	-	147	-	2	1,557
Payments on stockholder notes	-	-	-	-	-
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	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-
Common stock cash distributions ($1.535 per share)	-	-	-	-	-
Distribution of investment in LTC Healthcare, Inc. ($0.469 per share)	-	-	-	-	-
Balance - December 31, 1998	7,080	27,661	165,500	277	311,113
Payments on stockholder notes	-	-	-	-	-
Conversion of debentures	-	25	-	-	430
Repurchase of common stock	-	(650)	-	(7)	(7,032)
Conversion of partnership units	-	-	-	-	16
Net income	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-
Common stock cash distributions ($1.56 per share)	-	-	-	-	-
Balance - December 31, 1999	7,080	27,036	$165,500	$270	$304,527
Payments on stockholder notes	-	-	-	-	-
Repurchase of common stock	-	(1,005)	-	(10)	(7,959)
Conversion of partnership units	-	-	-	-	-
Net income	-	-	-	-	-
Preferred stock dividends	-	-	-	-	-
Common stock cash distributions ($.087 per share)	-	-	-	-	-
Balance - December 31, 2000	7,080	26,031	$165,500	$260	$296,568

</TABLE>

<TABLE>
<CAPTION>

	CUMULATIVE NET INCOME	NOTES RECEIVABLE FROM STOCKHOLDERS	CUMULATIVE DISTRIBUTION

<S>	<C>	<C>	<C>
Balance - December 31, 1997	$107,677	$(9,429)	$(117,103)
Issuance of Series C Preferred Stock	-	-	-
Exercise of stock options	-	(2,313)	-
Payments on stockholder notes	-	542	-
Conversion of debentures	-	-	-
Repurchase of common stock	-	-	-
Issuance of restricted stock	-	-	-
Amortization of restricted stock	-	-	-
Conversion of partnership units	-	-	-
Net income	50,593	-	-
Preferred stock dividends	-	-	(12,896)
Common stock cash distributions ($1.535 per share)	-	-	(41,837)
Distribution of investment in LTC Healthcare, Inc. ($0.469 per share)	-	-	(10,724)
Balance - December 31, 1998	158,270	(11,200)	(182,560)
Payments on stockholder notes	-	942	-
Conversion of debentures	-	-	-
Repurchase of common stock	-	-	-
Conversion of partnership units	-	-	-
Net income	31,827	-	-
Preferred stock dividends	-	-	(15,087)
Common stock cash distributions ($1.56 per share)	-	-	(42,626)
Balance - December 31, 1999	$190,097	$(10,258)	$(240,273)
Payments on stockholder notes	-	132	-
Repurchase of common stock	-	-	-
Conversion of partnership units	-	-	-
Net income	31,637	-	-
Preferred stock dividends	-	-	(15,087)
Common stock cash distributions ($.087 per share)	-	-	(22,703)
Balance - December 31, 2000	$221,734	$(10,126)	$(278,063)

	ACCUMULATED COMPREHENSIVE LOSS
Balance at December 31, 1997	-
Balance at December 31, 1998	-
Balance at December 31, 1999	$(1,246)
Unrealized loss on available for-sale securities	(500)
Balance at December 31, 2000	$(1,746)

</TABLE>

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998

<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income	$ 31,637	$ 31,827	$ 50,593
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	15,259	13,483	12,561
Unrealized holding loss on estimated fair value of REMIC Certificates	-	-	6,797
Gain on sale of real estate investments, net	(8,990)	-	(9,926)
Gain on repurchase of convertible subordinated debentures	-	(1,304)	-
Expense related to vesting of restricted stock	-	-	1,491
Non-cash impairment charge	14,822	14,939	-
Other non-cash charges	1,700	1,627	2,220
(Increase) decrease in interest receivable	(632)	(296)	512
(Increase) in prepaid, other assets and allowance	(5,407)	(410)	(122)
(Decrease) in accrued interest	(640)	(341)	(1,118)
(Decrease) increase in accrued expenses and other liabilities	(2,442)	1,260	(1,123)
Net cash provided by operating activities	45,307	60,785	61,885
INVESTING ACTIVITIES:			
Investment in real estate mortgages	(964)	(8,568)	(47,452)
Acquisition of real estate properties and capital improvements, net	(4,288)	(34,655)	(142,668)
Proceeds from sale of real estate properties, net	51,632	-	16,706
Proceeds from sale of REMIC Certificates, net	-	-	108,613
Principal payments on mortgage loans receivable	8,789	6,729	10,758
Investment in debt securities	-	(13,097)	-
Investment in LTC Healthcare, Inc.	-	-	(2,001)
Advances to LTC Healthcare, Inc.	(14,753)	(13,336)	(12,800)
Repayment of advances to LTC Healthcare, Inc.	3,540	23,527	17,668
Other	1,741	(8,756)	(353)
Net cash provided by (used in) investing activities	45,697	(48,156)	(51,529)
FINANCING ACTIVITIES:			
Proceeds from issuance of preferred stock, net	-	-	37,605
Debt issue costs	(2,751)	(1,129)	-
Distributions paid	(37,790)	(57,713)	(54,520)
Bank borrowings	125,000	147,500	276,000
Repayment of bank borrowings	(167,000)	(87,500)	(263,500)
Mortgage loan borrowings	-	24,985	-
Principal payments on mortgage loans, notes payable and capital leases	(1,410)	(976)	(5,077)
Redemption of convertible subordinated debentures	-	(29,992)	-
Repurchase of common stock	(7,969)	(7,039)	(3,345)
Other	131	387	(990)
Net cash used in financing activities	(91,789)	(11,477)	(13,827)

Increase (decrease) in cash and cash equivalents	(785)	1,152	(3,471)
Cash and cash equivalents, beginning of year	2,655	1,503	4,974
Cash and cash equivalents, end of year	$ 1,870	$ 2,655	$ 1,503
Supplemental disclosure of cash flow information:			
Interest paid	$ 27,012	$ 21,011	$ 22,478
Non-cash investing and financing transactions:			
See Note 4: Supplemental Cash Flow Information			

</TABLE>

See accompanying notes.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 when purchased 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 less cost to sell. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from 3 years on computers, 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). Under this structure, the REMIC Trust is a qualifying special purpose entity from which the mortgages are isolated from REMIC Corp. and the Company. Holders of REMIC Certificates issued by the REMIC Trust have the right free of any conditional constraints to pledge or exchange those interests, and neither the REMIC Corp. nor the Company maintains effective control over the transferred assets (the mortgages). The REMIC Trust is administered by a third-party trustee solely for the benefit of the REMIC Certificate holders.

Under the securitization structure described above, the Company accounts for the transfer of the mortgages 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.

REMIC Certificates retained by the Company as consideration for the mortgages sold are accounted for at fair value. In determining fair value on the date of sale, management considers various factors including, pricing of the certificates sold relative to the certificates retained as evaluated by the underwriters, discount rates and applicable spreads at the time of issuance for similar securities (or adjustments thereto if no comparable securities are available), assumptions regarding prepayments including the weighted-average life of prepayable assets, if any, and estimates relating to potential realized credit losses.

The REMIC Certificates issued by the REMIC Trust 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.

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. Management evaluates the realizability of expected future cash flows periodically. A permanent impairment would be recorded in current period earnings when management believes that it is likely that a portion of the underlying mortgage collateral would not be realized by the REMIC Trust.

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. Since certain mortgage loans may be securitized or sold 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. No interest rate contracts were outstanding as of December 31, 2000.

REVENUE RECOGNITION. Interest income on mortgage loans and REMIC Certificates is recognized using the effective interest method. Base rents under operating leases are accrued as earned over the terms of the leases. Contingent rental income provided for in certain leases, 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 95% (90% for taxable years beginning after December 31, 2000) 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. In general, 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 the current interest rate environment, estimated spreads over the U.S. Treasury Rate at which the retained certificates might trade, expectations regarding credit losses, if any, expected weighted-average life of the underlying collateral and discount rates commensurate with the risks involved.

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. As of December 31, 2000 the Company had no derivative instruments in place.

In September 2000, the FASB issued SFAS No. 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES, which replaces in its entirety SFAS No. 125. The guidance in SFAS No. 140, while not changing most of the guidance originally issued in SFAS No. 125, revises the standards for accounting for securitizations and other transfers of financial assets and collateral, and requires certain additional disclosures related to transferred assets. SFAS No. 140 provides guidance with respect to securitization transactions including, among other things, whether a transfer of assets qualifies for a sale or secured borrowing and whether a liability has been extinguished, accounting for servicing of financial assets and receipt and pledging of collateral. Additionally, SFAS No. 140 requires additional disclosures about securitized financial assets and interests retained in those securitizations including, accounting policies, volume, cash flows, key assumptions in estimating fair values and sensitivity analysis on the fair values relative to changes in the key assumptions. Certain provisions of SFAS No. 140 such as the disclosure relating to securitization transactions and retained interests therein, became effective for the Company for 2000 year-end reporting. Other provisions of SFAS No. 140 are effective for securitizations completed after March 31, 2001. Other than the additional disclosures required under SFAS No. 140, the Company does not believe that the adoption will have any significant impact on its financial statements. To the extent that the new provisions under SFAS No. 140 would require modifications, if any, to the structure of future securitization transactions, the necessary modifications would be made to allow such securitizations to be accounted for as sales. At this time, however, management does not anticipate the completion of any additional securitization in the foreseeable future.

3. MAJOR OPERATORS

As of December 31, 2000, Sun Healthcare Group, Inc. ("Sun") operated 34 facilities with 3,874 beds/units representing approximately 12%, or $100,907,000, of the Company's adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the investment in REMIC certificates). During 1999, Sun filed for reorganization under Chapter 11 of the Bankruptcy Code. The facilities operated by Sun at December 31, 2000 consisted of approximately $62,202,000 of direct investments to Sun and approximately $38,705,000 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.

Alterra Healthcare Corporation ("Alterra") and Assisted Living Concepts, Inc. ("ALC") each operate facilities representing approximately 10% of the Company's adjusted gross real estate investment portfolio. Alterra operates 35 assisted living facilities with 1,416 units representing $84,189,000 of the Company's adjusted gross real estate investment portfolio. ALC operates 37 assisted living facilities with 1,434 units representing $88,105,000 of the Company's adjusted gross real estate investment portfolio.

ALC, Alterra and Sun are publicly traded companies, and as such are 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 ALC, Alterra, 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>

	2000	1999	1998
		(in thousands)	
<S>	<S>	<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	$ -	$ 435	$ 20,700
Conversion of debentures into common stock	$ -	$ -	$ 35,046
Assumption of mortgage loans payable relating to acquisitions of real estate properties	$13,696	$10,595	$ 11,224
Distribution of investment in LTC Healthcare, Inc.	$ -	$ -	$ 10,724
Notes receivable related to exercise of stock options	$ -	$ -	$ 2,313
Conversion of mortgage loans into owned properties	$12,255	$47,554	$ 7,301
Minority interest	$ -	$ -	$ 3,432
Reduction in receivables from LTC Healthcare, Inc. relating to the acquisitions of real estate properties	$ 5,346	$ -	

			$ -
Increase in short term notes receivable related to the disposition of real estate properties	$ 3,055	$ -	$ -

</TABLE>

5. IMPAIRMENT CHARGE

The Company periodically performs 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 by certain operators for bankruptcy protection. As a result of the adverse changes in the long-term care industry, the Company has identified certain investments in skilled nursing facilities that it determined to be impaired. These assets were determined to be impaired primarily because the expected future cash flows to be received from these investments are not expected to recover the carrying values of the investments.

During 2000 the Company recorded an impairment charge of approximately $14,822,000. The impairment charge included the write-down of the carrying value to the estimated fair value, less cost to sell, of six owned skilled nursing facilities of $7,529,000, mortgage loans secured by skilled nursing facilities of $5,088,000 and notes receivable of $1,259,000 and the costs of foreclosure and lease terminations of approximately $946,000.

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 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, less cost to sell, of seven owned skilled nursing facilities of $7,428,000, two 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.

6. REAL ESTATE INVESTMENTS

MORTGAGE LOANS. During the year ended December 31, 2000, the Company advanced $964,000 for renovation and expansion under a mortgage loan previously provided on a skilled nursing facility. The Company received prepayments totaling $7,650,000 on four mortgage loans originally scheduled to mature in 2001, 2003, 2006 and 2007, and scheduled principal payments of $1,139,000. Mortgage loans with outstanding principal balances totaling $12,255,000 that were secured by eight long-term care facilities were converted into owned properties.

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, 2000, the Company had 48 mortgage loans secured by first mortgages on 45 skilled nursing facilities with a total of 5,160 beds and eight assisted living residences with 369 units located in 22 states. At December 31, 2000, the mortgage loans had interest rates ranging from 9.1% to 13.6% and maturities ranging from 2001to 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, 2000 and 1999, the fair value of mortgage loans was approximately $107,727,000 and $132,912,000, respectively. Scheduled principal payments on mortgage loans are $9,400,000, $2,549,000, $12,234,000, $7,421,000, $3,806,000 and $71,989,000 in 2001, 2002, 2003, 2004, 2005, and thereafter.

OWNED PROPERTIES AND LEASE COMMITMENTS. During 2000, $12,255,000 of mortgage loans converted into owned properties. In addition, the Company acquired, from a related party, two skilled nursing facilities with a total of 393 beds for a gross purchase price (based upon independent appraisals) of $19,200,000, and invested approximately $4,288,000 in the expansion and improvement of existing properties. The skilled nursing facilities acquired during 2000 were acquired subject to the assumption of existing non-recourse mortgage debt of $13,696,000 that bears interest at a weighted average rate of 9.25%

With the exception of certain properties leased to LTC Healthcare, Inc. under one year and month-to-month leases, owned facilities are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 20 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, 2000, 1999 and 1998 was not significant in relation to contractual base rent income.

Depreciation expense on buildings and improvements, including facilities owned under capital leases, was $15,145,000, $13,237,000 and $11,959,000 for the years ended December 31, 2000, 1999 and 1998.

Future minimum base rents receivable under the remaining non-cancelable terms of operating leases are: $44,400,000, $41,424,000, $41,111,000, $38,903,000, $36,299,000 and $204,642,000 for the years ending December 31, 2001, 2002, 2003, 2004, 2005 and thereafter.

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, 2000 and 1999 were as follows (DOLLAR AMOUNTS IN THOUSANDS):

	2000			1999		
	Senior Certificates		Subordinated Certificates	Senior Certificates		Subordinated Certificates
	Principal	Rate	Carrying Value	Principal	Rate	Carrying Value
1993-1 Pool	$46,120	7.7%	$ 3,599	$50,709	7.6%	$ 5,191
1994-1 Pool	25,414	9.4%	38,066	28,299	9.4%	37,810
1996-1 Pool	81,534	7.5%	15,013	82,916	7.5%	15,510
1998-1 Pool	115,223(1)	6.3%	38,284	117,112(1)	6.3%	39,094
			$94,962			$97,605

(1) Included in the 1998-1 Pool assets are $26,382,000 of certificates originated in the 1993-1 Pool that are excluded from the amount outstanding presented for the 1993-1 Pool.

At December 31, 2000 and 1999, the aggregate effective yield of the subordinated certificates, based on expected future cash flows with no unscheduled prepayments, was 17.11% and 17.35%, respectively. Income on the subordinated certificates was as follows for the years ended December 31, 2000, 1999 and 1998 (DOLLAR AMOUNTS IN THOUSANDS) :

	2000	1999	1998
1993-1 Pool	$ 465	$ 1,504	$ 2,656
1994-1 Pool	5,361	4,943	4,898
1996-1 Pool	3,334	3,447	3,908
1998-1 Pool	7,692	7,704	5,483
	$16,852	$17,598	$16,945

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.

The REMIC Certificates retained by the Company, represent the non-investment grade certificates issued in the securitizations. Furthermore, because of the highly specialized nature of the underlying collateral (long-term care facilities), there is an extremely limited market for these securities. Because REMIC Certificates of this nature trade infrequently, if at all, market comparability to the certificates the Company retains is very limited.

The Company uses certain assumptions and estimates in determining the fair value allocated to the retained interest at the time of initial sale and each subsequent measurement date in accordance with SFAS No. 125. These assumptions and estimates include projections concerning the expected level and timing of future cash flows, current interest rate environment, estimated spreads over the U.S. Treasury Rate at which the retained certificates might trade, expectations regarding credit losses, if any, expected weighted-average life of the underlying collateral and discount rates commensurate with the risks involved. These assumptions are reviewed periodically by management. If these assumptions change, the related asset and income would be affected. Key economic assumptions used in measuring the retained interest at December 31, 2000 were as follows: a U.S. Treasury Rate of 5%, an average market spread on "BB" and "B" rated certificates of 765 basis points over the applicable U.S. Treasury rate, an average discount rate on unrated and interest-only certificates of 28.5%, weighted-average life of 156 months and no expected annual credit losses. At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of cash flows on the REMIC Certificates retained by the Company to immediate 10% and 20% adverse changes in those assumptions are as follows: (dollar amounts in thousands)

	Estimated Fair Value	Carrying Amount
RETAINED INTERESTS IN REMIC SECURITIZATIONS:		
Available-for-sale REMIC Certificates	$42,362	$42,362
Held-to-maturity REMIC Certificates	32,241	52,600
Totals	$74,603	$94,962
	10% Adverse Change	**20% Adverse Change**
KEY ASSUMPTION SENSITIVITY ANALYSIS	Decline in Fair Value	Decline in Fair Value
AVERAGE SPREAD AND DISCOUNT RATE ASSUMPTION:		
Average Spread on "BB" and "B" rated certificates - 765 basis points	$ 699	$ 1,385
Average discount rate on Unrated and I/O certificates - 28.5%	3,053	5,890
Total	$ 3,752	$ 7,275

U.S. TREASURY RATE ASSUMPTION (5.0%):	$ 896	$ 1,935
WEIGHTED-AVERAGE LIFE ASSUMPTION (156 MONTHS):	$ 452	$ 957
EXPECTED CREDIT LOSS ASSUMPTION (NO EXPECTED LOSSES):	$ 4,484	$ 9,135

</TABLE>

As of December 31, 2000 and 1999, available-for-sale certificates were recorded at their fair value of approximately $42,362,000 and $45,651,000, respectively. Unrealized holding losses on available-for-sale certificates of $315,000 and $1,065,000 were included in comprehensive income for the years ended December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999 held-to-maturity certificates had a book value of $52,600,000 and $51,954,000, respectively, and a fair value of $32,241,000 and $43,698,000, respectively. As of December 31, 2000 none of the REMIC pools had experienced any realized losses nor had any of the Company's REMIC Certificate investments been determined to be permanently impaired.

7. ASSET SECURITIZATIONS

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 REMIC (securitization) 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. As of December 31, 2000 the Company has completed four securitization transactions, however, no securitizations occurred during 1999 or 2000, nor is the Company under commitment to complete any securitization in the future.

From its past securitizations, the Company receives annual sub-servicing fees which range from 2.0 to 3.0 basis points of the outstanding mortgage loan balances in each of the REMIC pools. Additionally, through the REMIC Certificates retained by the Company from past securitizations, LTC receives cash flows and the rights to future cash flows resulting from cash received on the underlying mortgage loans in the REMIC pools. All of the investors in the REMIC Certificates and the REMIC Trusts themselves have no recourse to the Company's assets for failure by any obligor to the REMIC Trust assets (the mortgages) to pay when due, or comply with any provisions of the mortgage contracts. The REMIC Certificates are classified separately on the balance sheet and interest income earned shown separately on the income statement. Sub-servicing fees and related fees associated with the REMIC certificates are included in other income.

Certain cash flows received from and paid to REMIC Trusts are as follows: (dollar amounts in thousands)

<TABLE>
<CAPTION>

	Year Ended	
	2000	1999
<S>	<C>	<C>
Cash flow received on retained REMIC Certificates	$18,940	$19,361
Servicing and related fees received	$ 336	$ 211
Servicing advances made	$ 2,052	$ 1,519
Repayments of servicing advances	$ 2,282	$ 881

</TABLE>

At December 31, 2000, scheduled distributions of principal on REMIC Certificates retained by the Company are: $0, $0, $6,530,000; $20,428,000; $10,112,000; and, $45,592,000; for the years ending December 31, 2001, 2002, 2003, 2004, 2005 and thereafter. These amounts are based upon the scheduled remaining amortization periods of the underlying mortgages, which may be subject to change. Currently, the Company has no mortgage loans in its portfolio held for securitization. Quantitative information relating to subserviced mortgage loans, including, delinquencies and net credit losses is as follows: (dollar amounts in thousands)

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>

Average balance of loans in REMIC pools	$ 353,300	$ 372,292	$ 354,511
Year-end balance of loans in REMIC pools	348,201	361,896	381,894
Net credit losses	$ 0	$ 0	$ 0
Net credit losses to average REMIC pool loans	0%	0%	0%
Delinquencies (greater than 30 days) to year-end REMIC pool loans	2.0%	2.2%	1.2%

</TABLE>

8. LTC HEALTHCARE, INC.

As of December 31, 2000, 29 real estate properties with a gross carrying value of $70,376,000 or 8% of the Company's gross real estate investment portfolio (adjusted to include two mortgage loans underlying the REMIC Certificates) were operated by LTC Healthcare, Inc. ("Healthcare"). During the twelve months ended December 31, 2000, the Company recorded rental income of approximately $6,176,000 from Healthcare. The Company leased 25 properties, on a short-term basis, to Healthcare. These leases expire on June 30, 2001, at which time the Company and Healthcare will reevaluate all leases. The Company also leases two properties on a month-to-month basis to Healthcare. On July 1, 2000, the independent members of the Board of Directors of both Healthcare and the Company approved new rental rates. Annual rental income from Healthcare under the new rates is approximately $4,100,000. Effective January 1, 2001, the Company and Healthcare agreed to early termination of four leases, which would have expired on June 30, 2001, one each in Florida, Illinois, Texas and Virginia (See Note 5). These facilities had gross carrying value of $8,126,000 or 1% of the Company's gross real estate investment portfolio (adjusted to include mortgage loans underlying the REMIC Certificates). Annual rental from Healthcare in 2001 under the 23 remaining leases is approximately $3,405,000. Also, as of December 31, 2000, Healthcare had mortgage loans secured by six skilled nursing facilities with total outstanding principal balances of $16,433,000 and a weighted average interest rate of 9.25% payable to REMIC pools originated by the Company. Two of the skilled nursing facilities securing the mortgage loans payable to the Company's REMIC pools are operated by Healthcare and the remaining four skilled nursing facilities are leased to third party operators.

As of December 31, 2000 and 1999, the Company owned 180,000 and 239,000 shares, respectively, of Healthcare common stock. At December 31, 2000 and 1999, the Company's investment in Healthcare common stock is recorded at its fair value of $236,000 and $480,000, respectively, in the accompanying balance sheet. An unrealized holding loss of $185,000 and $181,000, respectively, is included in comprehensive income for the years ended December 31, 2000 and 1999.

During the third quarter of 2000 the Company purchased 100% of the common stock of Coronado Corporation and Park Villa Corporation from Healthcare for a total purchase price (based on independent appraisals) of $19,200,000. As a result of the purchase, the Company assumed $13,696,000 of mortgage debt and reduced receivables from Healthcare by $5,346,000.

The Company has provided Healthcare with a $20,000,000 unsecured line of credit that bears interest at 10% and matures in March 2008. As of December 31, 2000 and 1999, $16,582,000 and $6,337,000, respectively, was outstanding under the line of credit. Under the terms of the new Senior Secured Revolving Line of Credit, the Company is permitted to loan Healthcare up to $25,000,000. The Company and Healthcare have not increased the $20,000,000 unsecured line of credit between the companies. Should any such amendment be proposed, it would need approval of the independent Board members of each company's board. During the years ended December 31, 2000 and 1999, the Company recorded interest income of $1,713,000 and $1,514,000, respectively on the average outstanding principal balance under the line of credit.

On June 23, 2000, the Company's Board of Directors appointed Healthcare as the Company's exclusive sales agent for all skilled nursing facilities for a period of one year and approved a commission agreement with Healthcare. Pursuant to the agreements, during 2000, the Company paid Healthcare sales commissions of $1,600,000. During 1999, the Company had an administrative services agreement with Healthcare. Accordingly, Healthcare reimbursed the Company for administrative and management advisory services in the

amount of $740,000 for the year. The administrative services agreement was terminated effective January 1, 2000 since Healthcare has its own management and administrative staff. The Company received no reimbursement for administrative and management advisory services in 2000.

During 1999, the Company acquired from Healthcare, 100% of the stock of two companies that each own an assisted living facility, for a total purchase price of $16,050,000. Both facilities are leased to a third party operator. 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.

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.

9. OTHER ASSETS

During 2000, the Company received short term notes receivable of $3,055,000 in conjunction with the sale of one skilled nursing facility, one assisted living facility and one school. The notes mature on various dates in 2001 and have a combined weighted average interest rate of 9.5%. Additionally, the Company received a three year $2,000,000 note with an interest rate of 10%. This note is a deposit on a skilled nursing facility in Florida. The gross sales price of this facility is approximately $6,000,000.

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 at December 2000 and 1999 and determined that approximately $1,259,000 and $3,329,000, respectively, of the amounts advanced were not recoverable. See Note. 5 - Impairment Charge. At December 31, 2000 and 1999, advances of $1,500,000 and $4,954,000 were estimated to be recoverable.

10. MARKETABLE DEBT SECURITIES

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, 2000 and 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, 2000 and 1999, the Company's investment in ALC convertible subordinated debentures had an amortized cost of $15,873,000 and $14,190,000 and a fair value of $8,696,000 and $12,207,000, respectively.

11. DEBT OBLIGATIONS

BANK BORROWINGS. On October 31, 2000, the Company entered into a new Senior Senior Secured Revolving Line of Credit Agreement (the "Senior Secured Revolving Line of Credit") that expires on October 2, 2004 and replaces the Revolving Credit Facility and the term loan discussed below. The Senior Secured Revolving Line of Credit initially provided for $185,000,000 of total commitments with periodic reductions of these commitments to fully retire the commitments as of October 2, 2004. Specifically scheduled available commitments as of December 31, 2000, 2001, 2002 and 2003 are $185,000,000, $157,500,000, $95,000,000 and

$75,000,000 respectively. An additional provision of this agreement requires certain amounts of commitment reductions as a result of asset sales. As a result of sales of assets prior to year end, the available commitment balance at December 31, 2000 was $173,960,000. Subsequent to year end 2000, the Company further reduced commitments to $171,676,000 as a result of additional asset sales.

The Senior Secured Revolving Line of Credit pricing varies between LIBOR plus 2.00% and LIBOR plus 3.00% depending on the Company's leverage ratio. At December 31, 2000 the Company's interest rate was 9.215%, reflecting a pricing of LIBOR plus 2.50%.

The Senior Secured Revolving Line of Credit contains financial covenants including, but not limited to a collateral value ratio, funded debt ratio, senior leverage ratio, interest coverage ratio and a tangible net worth ratio. As of December 31, 2000, the Company was in compliance with financial covenants as required by the Senior Secured Revolving Line of Credit. Under the terms of the Senior Secured Revolving Line of Credit the Company is limited in any fiscal year from paying total common and preferred cash dividends of no more than 110% of consolidated taxable income. At inception, $183,290,000 of owned properties, $113,842,000 of mortgage loans receivable and $96,332,000 of REMIC certificates were pledged as collateral. Additional provisions in the Senior Secured Revolving Line of Credit provide for the release of certain collateral when the commitments are reduced to $100,000,000 or less and $60,000,000 or less and allows the Company to buy back its stock once the commitments are $135,000,000 or less. In addition to a fee paid to the lenders at the time of signing the Senior Secured Revolving Line of Credit, the Company has agreed to pay an additional fee to the lenders based on total commitments, if any, outstanding as of October 2, 2002.

As of December 31, 1999, $135,000,000 was outstanding under the Company's prior $170,000,000 Senior Unsecured Revolving Line of Credit (the "Revolving Credit Facility"), which expired on October 31, 2000. The Revolving Credit Facility pricing varied 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%. During 1999, the Company obtained a $25,000,000 term loan with interest at LIBOR plus 1.25% and that matured October 31, 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 expired 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 that was amortized over the term of the original swap agreement.

CONVERTIBLE SUBORDINATED DEBENTURES (DOLLAR AMOUNTS IN THOUSANDS):

<TABLE>
<CAPTION>

Interest Rate	Maturity	Conversion Price per share	Outstanding Principal at December 31, 2000	1999
8.50%	January 2001	$15.50	$11,849	$11,849
7.75%	January 2002	$16.50	2,408	2,408
8.25%	July 2001	$17.25	10,385	10,385
			$24,642	$24,642

</TABLE>

On January 2, 2001, the Company borrowed $12,000,000 under its Senior Secured Revolving Line of Credit Facility to pay in full the 8.50% Convertible Subordinated Debentures.

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.

Neither the 8.25% debentures due July 2001 nor the 7.75% debentures due January 2002 were redeemable by the Company prior to January 1, 2001.

As of December 31, 2000, giving effect to the January 2, 2001 redemption of the 8.50% Convertible Subordinated Debentures, the remaining convertible subordinated debentures outstanding were convertible into 747,968 shares of common stock. Based on quoted market prices the fair value of the debentures approximated $23,136,000 and $21,907,000 at December 31, 2000 and 1999, respectively.

MORTGAGE LOANS PAYABLE. During 2000, the Company acquired two skilled nursing facilities that were subject to the assumption of existing non-recourse mortgage debt of $13,696,000 that bears interest at a weighted average rate of 9.25% and matures in 2006.

Mortgage loans and weighted average interest rates for loans payable to REMIC's formed by the Company were (DOLLAR AMOUNTS IN THOUSANDS):

	December 31, 2000	Rate	December 31, 1999	Rate
1993-1 Pool	$21,908	12.0%	$22,107	12.0%
1994-1 Pool	5,965	11.7	6,042	11.5
1996-1 Pool	37,063	10.0	23,672	10.3
1998-1 Pool	13,604	9.3	13,730	9.3
	$78,540		$65,551	

Mortgage loans and weighted average interest rates for mortgage loans payable to others were (DOLLAR AMOUNTS IN THOUSANDS):

MATURITY	December 31, 2000	Rate	December 31, 1999	Rate
2002	$6,500	9.50%	$6,500	8.50%
2009	18,301	8.81	18,485	8.81
	$24,801		$24,985	

As of December 31, 2000 and 1999, the aggregate carrying value of real estate properties securing the Company's mortgage loans payable was $145,644,000 and $128,636,000, respectively.

BONDS PAYABLE AND CAPITAL LEASES. At December 31, 2000 and 1999, the Company had outstanding principal of $7,550,000 and $7,815,000, respectively on multifamily tax-exempt revenue bonds. These bonds bear interest at a variable rate that is reset weekly and matures during 2015. For the year ended December 31, 2000, the weighted average interest rate, including letter of credit fees, on the outstanding bonds was 6.0%. At December 31, 2000 and 1999, the Company had outstanding principal of $4,127,000 and $4,162,000, respectively on a multi-unit housing tax-exempt revenue bond that bears interest at 10.9% and matures in 2025.

At December 31, 2000 and 1999, the Company had outstanding principal of $4,900,000 and $5,119,000, 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, 2000 and 1999, the aggregate gross investment in 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, 2000 were $1,747,000, $16,150,000, $17,452,000, $5,572,000, $12,206,000 and $66,791,000 in 2001, 2002, 2003, 2004, 2005 and thereafter.

12. 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. Total shares reserved for issuance of common stock related to the conversion of Series C Preferred Stock were 2,000,000 shares at December 31, 2000 and 1999.

At December 31, 2000, 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") were outstanding. 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 value 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 liquidation preferences of Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock are pari passu. Neither the Series A Preferred Stock, Series B Preferred Stock nor the Series C Preferred Stock have any voting rights.

REPURCHASE OF COMMON STOCK. During 2000 and 1999 the Company repurchased and retired 1,005,600 and 649,800 shares of common stock, respectively, for an aggregate purchase price of $7,969,000 and $7,039,000, respectively.

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, 2000, 1999 and 1998 were 19,880, 507,040 and 507,000, respectively. All options outstanding vest over five 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, 2000, 1999 and 1998 was as follows:

<TABLE>
<CAPTION>

	Shares			Weighted Average Price		
	2000	1999	1998	2000	1999	1998
Outstanding, January 1	23,000	23,000	169,500	$14.86	$14.86	$11.21
Granted	517,500	-	-	$5.41	-	-
Exercised	-	-	(146,500)	-	-	$10.64
Canceled	(31,500)	-	-	$7.04	-	-
Outstanding, December 31	509,000	23,000	23,000	$5.74	$14.86	$14.86
Exercisable, December 31	16,500	18,000	12,000	$15.41	$14.26	$13.83

</TABLE>

Restricted stock activity for the years ended December 31, 2000, 1999 and 1998 was as follows:

<TABLE>
<CAPTION>

	2000	1999	1998

<S>	<C>	<C>	<C>
Outstanding, January 1	264,400	393,000	382,000
Granted	23,000	448,800	24,000
Vested	-	(128,560)	(13,000)
Canceled	(21,840)	(448,840)	-
Outstanding, December 31	265,560	264,400	393,000
Compensation Expense	$ -	$ -	$ 1,492,000

</TABLE>

In 2000, restricted stock awards aggregating 23,000 shares with a weighted average fair value on the dates of grant of $8.07 per share were granted to employees. These grants vest evenly over four or five years with the first vesting in January 2001.

In March 1999, all outstanding shares of restricted stock as of that date 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. 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. None of these shares of restricted stock vested in 2000.

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.

As of December 31, 2000, 1999 and 1998, there were 509,000, 23,000, and 23,000 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 2000, the weighted average expected life assumption was five years, the weighted average volatility was 0.48 and the weighted average risk free interest rate was 6.47%. The weighted average fair value of the options granted was estimated to be $0.65. There was no material pro-forma effect on net income or earnings per share for the years ending December 31, 2000, 1999 and 1998. The weighted average exercise price of the options was $5.38, $15.65 and $15.65 and the weighted average remaining contractual life was 4.3, 5.9 and 6.9 years as of December 31, 2000, 1999 and 1998, 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 made 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 bear interest at the then current Applicable Federal Rate. In January 2000, the Board of Directors approved a new loan agreement for current executives and directors in the amounts of the remaining principal balance of the original loans.

The new loan agreements provide that the interest rate is 6.07% and interest payments are due quarterly equal to the most recent dividend received on the shares pledged as security for the notes. If the dividend does not fully pay the interest due or if no dividend is paid, the unpaid interest is added to the principal balance. The notes also require the borrower to reduce principal by one-half of the most recent dividend received on the pledged shares less the interest paid on the loans from that dividend.

The maturity date of the new notes is December 31, 2008 and at that time the remaining principal amount is due in full. Additionally, the new notes contain a provision that allows the borrower the option of fully discharging the then remaining principal balance of the loan by tendering the pledged shares as full payment upon the event of a change of control of the Company or upon the death of the borrower.

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 of control of the Company.

The remaining original notes provide for the same calculation of the periodic principal reductions; however, interest is payable every quarter, regardless of receipt of a dividend. The original notes will convert to fully amortizing loans with 16 quarterly payments beginning in year six. The original notes bear interest rates ranging from 5.77% to 6.63%.

In 2000 and 1999, no options were exercised under this program. At December 31, 2000 and 1999, loans totaling $10,126,000 and $10,258,000, respectively were outstanding. At December 31, 2000 and 1999, the market value of the common stock securing these loans was approximately $2,968,000 and $6,691,000, respectively.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2000, the Company entered into two separate purchase and sale agreements with two unrelated third parties for the sale of two schools in Arizona for a combined gross sales price of $15,185,000. Additionally, the Company entered into a purchase and sale agreement with an unrelated third party for the sale of three assisted living facilities in Wyoming for a gross sales price of $12,850,000. The transaction is scheduled to close escrow on November 30, 2001, however the agreement provides for extensions of the scheduled closing date with corresponding increases in the gross sales price.

14. 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 2000 and 1999 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 (unaudited):

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Ordinary income	$0.701	$1.185	$1.355
Non-taxable distribution	-	0.375	0.397
Section 1250 capital gain	0.146	-	0.051
Long term capital gain	0.023	-	0.201
Total	$0.870	$1.560	$2.004

</TABLE>

15. NET INCOME PER SHARE

Basic and diluted net income per share were as follows (IN THOUSANDS EXCEPT PER SHARE AMOUNTS):

<TABLE>
<CAPTION>

	2000	1999	1998
<S>	<C>	<C>	<C>
Net income	$ 31,637	$ 31,827	$ 50,593
Preferred dividends	(15,087)	(15,087)	(12,896)
Net income for basic net income per share	16,550	16,740	37,697
7.75%debentures due 2002	-	-	516
8.5%debentures due 2000	-	-	684
8.25%debentures due 1999	-	-	860
Other dilutive securities	-	-	192
Net income for diluted net income per share	$ 16,550	$ 16,740	$ 39,949

Shares for basic net income per share	26,108	27,412	27,077
Stock options	-	-	11
7.75%debentures due 2002	-	-	417
8.5%debentures due 2000	-	-	497
8.25%debentures due 1999	-	-	645
Other dilutive securities	-	-	176
Shares for diluted net income per share	26,108	27,412	28,823
Basic net income per share	$ 0.63	$ 0.61	$ 1.39
Diluted net income per share	$ 0.63	$ 0.61	$ 1.39

</TABLE>

The conversion of subordinated debentures and stock options were anti-dilutive in 2000 and 1999.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
<CAPTION>

	Quarter ended			
	March 31,	June 30,	September 30,	December 31,
	(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
2000				
Revenues	$22,506	$22,717	$21,536	$20,371
Net income (loss) available to common stockholders(1)	6,903	6,081	6,518	(2,952)
Basic net income (loss) per share	0.26	0.23	0.25	(0.11)
Diluted net income (loss) per share	0.26	0.23	0.25	(0.11)
Dividends per share	0.29	0.29	0.29	0.00
1999				
Revenues	$22,204	$22,766	$21,959	$20,733
Net income (loss) available to common stockholders(2)	8,768	9,112	8,174	(9,314)
Basic net income (loss) per share	0.32	0.33	0.30	(0.34)
Diluted net income (loss) per share	0.32	0.33	0.30	(0.34)
Dividends per share	0.39	0.39	0.39	0.39

</TABLE>

(1) Includes an impairment charge of $14.8 million. See Note 5 - Impairment Charge.

(2) 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 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 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 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 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>

</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 II
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Charge to Operations	Balance at End of Period
Allowance for Doubtful Accounts:			
<S>	<C>	<C>	<C>
2000	$1,250	$ -	$1,250
1999	$1,250	$ -	$1,250
1998	$1,000	$250	$1,250

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION
(in thousands)

<TABLE>
<CAPTION>

	Encumbrance	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements	Costs Capitalized After Acquisition	Gross Amount at which Carried at December 31, 2000: Land	Gross Amount at which Carried at December 31, 2000: Building and Improvements	Total	Accum. Deprec.(1)	Renovation Date	Construction/ Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Skilled Nursing Facilities:										
Bradenton, FL	$ -	$330	$2,720	$ -	$330	$2,720	$3,050	$671	1989	Sep-93
Clearwater, FL	-	454	2,902	-	454	2,902	3,356	547	1965/93	Sep-93
Lecanto, FL	-	351	2,665	2,251	351	4,916	5,267	900	1988	Sep-93
Rusk, TX	-	34	2,399	14	34	2,413	2,447	673	1969	Mar-94
Chicago Heights, IL	-	221	6,406	-	221	6,406	6,627	1,426	1988	Sep-94
Demopolis, AL	10,351 (2)	71	2,141	-	71	2,141	2,212	435	1972	Jun-95
Fort Payne, AL	- (2)	37	3,588	-	37	3,588	3,625	713	1967/73	Jun-95
Jackson, AL	- (2)	64	2,620	-	64	2,620	2,684	528	1964	Jun-95
Madison, AL	- (2)	30	2,328	-	30	2,328	2,358	464	1964/74	Jun-95
Phoenix, AL	- (2)	59	2,123	-	59	2,123	2,182	429	1969	Jun-95
Toppanish, WA	2,551 (3)	132	2,654	-	132	2,654	2,786	548	1960/70	Jun-95
Vancouver, WA	- (5)	60	3,031	2	60	3,033	3,093	608	1952/94	Jun-95
Chesapeake, VA	-	656	3,201	34	656	3,235	3,891	758	1977	Oct-95
Richmond, VA	-	354	3,182	43	354	3,225	3,579	695	1970/75/80	Oct-95
Tappahannock, VA	- (14)	209	1,493	-	209	1,493	1,702	702	1977/78	Oct-95
Jefferson, IA	10,282 (4)	36	1,933	163	36	2,096	2,132	324	1968/72	Jan-96
Montgomery, AL	3,771 (5)	144	5,426	-	144	5,426	5,570	903	1967/74	Jan-96
Carroll, IA	- (4)	60	1,020	38	60	1,058	1,118	197	1969	Jan-96
Whiteright, TX	1,093	100	2,923	-	100	2,923	3,023	535	1962/64/65	Jan-96
Granger, IA	- (4)	93	1,325	59	93	1,384	1,477	251	1979	Jan-96
Bedford, TX	- (4)	345	3,195	404	345	3,599	3,944	597	1960	Jan-96
Polk City, IA	- (3)	88	1,351	15	88	1,366	1,454	264	1976	Jan-96
Atmore, AL	- (4)	23	2,985	-	23	2,985	3,008	498	1967/74	Jan-96
Norwalk, IA	- (4)	45	1,035	46	45	1,081	1,126	197	1975	Jan-96
Altoona, IA	- (4)	102	2,312	121	102	2,433	2,535	400	1973	Jan-96
Midland, TX	1,988	32	2,285	-	32	2,285	2,317	414	1973	Feb-96
Gardendale, AL	-	84	6,316	-	84	6,316	6,400	957	1976/84	May-96
Roberta, GA	-	100	2,400	59	100	2,459	2,559	445	1964	May-96
Houston, TX	6,976 (8)	202	4,458	456	202	4,914	5,116	779	1961	Jun-96
Houston, TX	6,628 (9)	361	3,773	248	361	4,021	4,382	736	1964/68	Jun-96
Houston, TX	(8)	202	4,458	449	202	4,907	5,109	779	1967	Jun-96
Mesa, AZ	4,385	305	6,909	1,695	305	8,604	8,909	1,172	1975/96	Jun-96
Houston, TX	- (9)(14)	572	2,997	824	572	3,821	4,393	1,193	1967	Jun-96

Sacramento, CA	-	220	2,929	-	220	2,929	3,149	436	1968	Feb-97
Coffeyville, KS	-	-	-	-	-	-	-	-	1962	May-97
Salina, KS	-	100	1,153	445	100	1,598	1,698	626	1985	May-97
South Haven, KS	-	-	-	-	-	-	-	-	1969	May-97
Portland, OR	-	100	1,925	457	100	2,382	2,482	306	1956/74	Jun-97
Nacogdoches, TX	-	100	1,738	37	100	1,775	1,875	239	1973	Oct-97
Cushing, TX	-	100	1,679	24	100	1,703	1,803	230	1973/84	Oct-97
Mesa, AZ	2,921	420	4,258	32	420	4,290	4,710	397	1972	Oct-97
Wells, TX	2,226 (6)	100	1,649	7	100	1,656	1,756	198	1980	Jan-98
Corrigan, TX	- (6)	100	1,649	7	100	1,656	1,756	198	1985	Jan-98
Groesbeck, TX	1,301	100	1,649	7	100	1,656	1,756	198	1972	Jan-98
Tampa, FL	-	100	6,402	41	100	6,443	6,543	612	1970	Jun-98

</TABLE>

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

<TABLE>
<CAPTION>

		Initial Cost to Company		Costs Capitalized	Gross Amount at which Carried at December 31, 2000				Construction/	
			Building and	After		Building and		Accum.	Renovation	Acquisition
	Encumbrance	Land	Improvements	Acquisition	Land	Improvements	Total	Deprec.(1)	Date	Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Jonesboro, GA	2,659	150	2,573	3	150	2,576	2,726	144	1970	Sep-99
Griffin, GA	4,742 (10)	500	2,900	-	500	2,900	3,400	160	1969	Sep-99
Atlanta, GA	- (10)	175	1,282	3	175	1,285	1,460	96	1968	Sep-99
Des Moines, IA	-	100	2,111	142	100	2,253	2,353	137	1972	Sep-99
Olathe, KS	-	520	1,872	5	520	1,877	2,397	84	1968	Sep-99
Crawfordville, FL	-	522	1,815	1,202	522	3,017	3,539	166	1974	Sep-99
Venice, FL	- (14)	236	346	838	236	1,184	1,420	318	1969/72	Sep-99
Sumner, IL	968	100	877	7	100	884	984	57	1968	Oct-99
Topeka, KS	- (14)	-	400	12	-	412	412	16	1957	Oct-99
Carlinville, IL	- (14)	100	486	25	100	511	611	61	1965	Oct-99
Fort Worth, TX	2,076	100	1,534	-	100	1,534	1,634	90	1974	Dec-99
Jessup, GA	6,500 (13)	35	465	38	35	503	538	18	1953	Dec-99
Fort Valley, GA	- (13)	230	770	86	230	856	1,086	34	1965	Dec-99
Gardner, KS	- (13)	729	4,478	149	729	4,627	5,356	152	1961/74	Dec-99
Canyon, TX	(14)	196	1,093	211	196	1,304	1,500	32	1985/86	Jun-00
Phoenix, AX	7,381	300	9,703	-	300	9,703	10,003	162	1985	Aug-00
Tuscon, AZ	6,241	276	8,924	-	276	8,924	9,200	149	1985/92	Aug-00
Holyoke, CO	-	184	1,541	2	184	1,543	1,727	16	1963	

Nov-00									
Manchester, TN	-	50	954	58	50	1,012	1,062	11	1957/67/78
Nov-00									
Dresden, TN	-	31	1,529	149	31	1,678	1,709	23	1966
Nov-00									
Ripley, TN	-	20	985	56	20	1,041	1,061	11	1951
Nov-00									
Skilled Nursing Facilities	85,040	11,950	172,223	10,964	11,950	183,187	195,137	26,115	

</TABLE>

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

<TABLE>
<CAPTION>

		Initial Cost to Company		Costs Capitalized	Gross Amount at which Carried at December 31, 2000					
	Encumbrance	Land	Building and Improvements	After Acquisition	Land	Building and Improvements	Total	Accum. Deprec.(1)	Construction/ Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assisted Living Residences:										
Longview, TX	-	38	1,568	-	38	1,568	1,606	224	1995	Oct-95
Marshall, TX	-	38	1,568	450	38	2,018	2,056	271	1995	Oct-95
Dodge City, KS	1,435	88	1,662	-	88	1,662	1,750	250	1995	Dec-95
Great Bend, KS	1,209	87	1,563	17	87	1,580	1,667	243	1995	Dec-95
McPherson, KS	1,044	75	1,575	-	75	1,575	1,650	235	1994	Dec-95
Salina, KS	1,213	72	1,578	-	72	1,578	1,650	235	1994	Dec-95
Greenville, TX	-	42	1,565	-	42	1,565	1,607	147	1995	Jan-96
Athens, TX	-	96	1,511	-	96	1,511	1,607	229	1995	Jan-96
Kennewick, WA	(7)	100	1,940	-	100	1,940	2,040	262	1996	Feb-96
Grandview, WA	- (7)	100	1,940	-	100	1,940	2,040	258	1996	Mar-96
Jacksonville, TX	-	100	1,900	-	100	1,900	2,000	255	1996	Mar-96
Walla Walla, WA	7,550 (7)	100	1,940	-	100	1,940	2,040	234	1996	Apr-96
Lufkin, TX	-	100	1,950	-	100	1,950	2,050	254	1996	Apr-96
Camas, WA	- (7)	100	2,175	-	100	2,175	2,275	271	1996	May-96
Gardendale, AL	-	16	1,234	-	16	1,234	1,250	192	1988	May-96
Vancouver, WA	- (7)	100	2,785	-	100	2,785	2,885	346	1996	Jun-96
Kelso, WA	-	100	2,500	-	100	2,500	2,600	280	1996	Nov-96
Battleground, WA	-	100	2,500	-	100	2,500	2,600	280	1996	Nov-96
Hayden, ID	-	100	2,450	243	100	2,693	2,793	289	1996	Dec-96
Klamath Falls, OR	-	100	2,300	-	100	2,300	2,400	264	1996	Dec-96
Newport, OR	-	100	2,050	-	100	2,050	2,150	224	1996	Dec-96
Tyler, TX	11,420 (12)	100	1,800	-	100	1,800	1,900	199	1996	Dec-96
Wichita Falls, TX	-	100	1,850	-	100	1,850	1,950	204	1996	Dec-96
Ada, OK	-	100	1,650	-	100	1,650	1,750	184	1996	

										Dec-96
Nampa, ID	-	100	2,240	23	100	2,263	2,363	245	1997	Jan-97
Tulsa, OK	- (12)	200	1,650	-	200	1,650	1,850	182	1997	Feb-97
Durant, OK	-	100	1,769	-	100	1,769	1,869	185	1997	Apr-97
San Antonio, TX	- (12)	100	1,900	-	100	1,900	2,000	197	1997	May-97
Troy,OH	-	100	2,435	306	100	2,741	2,841	279	1997	May-97
Waco, TX	-	100	2,235	-	100	2,235	2,335	217	1997	Jun-97
Tulsa, OK	- (12)	100	2,395	-	100	2,395	2,495	232	1997	Jun-97
San Antonio, TX	- (12)	100	2,055	-	100	2,055	2,155	216	1997	Jun-97
Norfolk, NE	-	100	2,123	-	100	2,123	2,223	218	1997	Jun-97
Wahoo, NE	-	100	2,318	-	100	2,318	2,418	224	1997	Jul-97
York, NE	-	100	2,318	-	100	2,318	2,418	224	1997	Aug-97
Hoquiam, WA	-	100	2,500	-	100	2,500	2,600	230	1997	Aug-97
Tiffin, OH	-	100	2,435	-	100	2,435	2,535	227	1997	Aug-97
Millville, NJ	-	100	2,825	-	100	2,825	2,925	258	1997	Aug-97
Fremont,OH	-	100	2,435	-	100	2,435	2,535	227	1997	Aug-97
Lake Havasu, AZ	-	100	2,420	-	100	2,420	2,520	225	1997	Aug-97
Greeley, CO	-	100	2,310	270	100	2,580	2,680	232	1997	Aug-97
Springfield, OH	-	100	2,035	270	100	2,305	2,405	224	1997	Aug-97
Watauga, TX	-	100	1,668	-	100	1,668	1,768	175	1996	Aug-97
Bullhead Ctiy, AZ	-	100	2,500	-	100	2,500	2,600	229	1997	Aug-97
Arvada, CO	6,881 (11)	100	2,810	276	100	3,086	3,186	289	1997	Aug-97

</TABLE>

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

<TABLE>
<CAPTION>

		Initial Cost to Company		Costs Capitalized	Gross Amount at which Carried at December 31, 2000					
	Encumbrance	Land	Building and Improvements	After Acquisition	Land	Building and Improvements	Total	Accum. Deprec.(1)	Construction/ Renovation Date	Acquisition Date
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Edmond, OK	- (12)	100	1,365	526	100	1,891	1,991	176	1996	Aug-97
Wetherford, OK	-	100	1,669	592	100	2,261	2,361	196	1996	Aug-97
Eugene, OR	-	100	2,600	-	100	2,600	2,700	233	1997	Sep-97
Caldwell, ID	-	100	2,200	-	100	2,200	2,300	199	1997	Sep-97
Burley, ID	-	100	2,200	-	100	2,200	2,300	199	1997	Sep-97
Wheelersburg, OH	-	100	2,435	-	100	2,435	2,535	213	1997	Sep-97
Loveland, CO	- (11)	100	2,865	270	100	3,135	3,235	266	1997	Sep-97
Wichita Falls, TX	-	100	2,750	-	100	2,750	2,850	245	1997	Sep-97
Beatrice, NE	-	100	2,173	-	100	2,173	2,273	187	1997	Oct-97
Madison, IN	-	100	2,435	-	100	2,435	2,535	208	1997	

Property	Encumbrance	Land	Building and Improvements	Costs Capitalized After Acquisition	Land	Building and Improvements	Total	Accum. Depr.	Construction Date	Acquisition Date
										Oct-97
Newark, OH	-	100	2,435	-	100	2,435	2,535	208	1997	Oct-97
Elkhart, IN	-	100	2,435	-	100	2,435	2,535	197	1997	Dec-97
Newport Richey, FL	-	100	5,845	294	100	6,139	6,239	523	1986/95	Jan-98
Fremont, CA	-	100	3,080	212	100	3,292	3,392	225	1998	Mar-98
RioRancho, NM	-	100	8,300	32	100	8,332	8,432	586	1998	Mar-98
Ft. Meyers, FL	-	100	2,728	9	100	2,737	2,837	201	1998	Mar-98
Tallahassee, FL	- (12)	100	3,075	-	100	3,075	3,175	218	1998	Apr-98
Niceville, FL	-	100	2,680	-	100	2,680	2,780	180	1998	Jun-98
Longmont, CO	- (11)	100	2,640	-	100	2,640	2,740	177	1998	Jun-98
Shelby, NC	-	100	2,805	-	100	2,805	2,905	187	1998	Jun-98
Spring Hill, FL	-	100	2,650	-	100	2,650	2,750	178	1998	Jun-98
Portland, OR	0	100	7,622	-	100	7,622	7,722	488	1986	Jun-98
Tuscon, AZ	-	100	8,700	-	100	8,700	8,800	556	1998	Jun-98
Denison, IA	-	100	2,713	-	100	2,713	2,813	182	1998	Jun-98
Roseville, CA	-	100	7,300	-	100	7,300	7,400	468	1998	Jun-98
Cheyenne, WY	-	100	5,290	-	100	5,290	5,390	343	1998	Jun-98
Casper, WY	-	100	3,610	-	100	3,610	3,710	238	1998	Jun-98
Laramie, WY	-	100	3,610	-	100	3,610	3,710	230	1998	Jul-98
Ft. Collins, CO	-	100	2,961	-	100	2,961	3,061	156	1998	Mar-99
Greenwood, SC	-	100	2,638	-	100	2,638	2,738	137	1998	Mar-99
Greenville, NC	-	100	2,478	-	100	2,478	2,578	127	1998	Mar-99
Sumter, SC	-	100	2,351	-	100	2,351	2,451	113	1998	Mar-99
Central, SC	-	100	2,321	-	100	2,321	2,421	109	1998	Mar-99
Rocky Mount, NC	-	100	2,494	-	100	2,494	2,594	113	1998	Mar-99
New Bern, NC	-	100	2,428	-	100	2,428	2,528	99	1998	Mar-99
Goldsboro, NC	-	100	2,386	-	100	2,386	2,486	96	1998	Mar-99
Ft. Collins, CO	-	100	3,400	-	100	3,400	3,500	156	1999	Jul-99
Rocky River, OH	-	760	6,963	-	760	6,963	7,723	279	1998	Oct-99
Erie, PA	-	850	7,477	-	850	7,477	8,327	313	1998	Oct-99
Lakeland, FL	-	519	2,313	57	519	2,370	2,889	45	1968/74/96	Jun-00
Cordele, GA	-	153	1,455	57	153	1,512	1,665	28	1987/88	Jun-00
Assisted Living Residences	34,888	10,234	234,805	3,904	10,234	238,709	248,943	19,843		

</TABLE>

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

<TABLE>
<CAPTION>

	Initial Cost to Company		Costs Capitalized After Acquisition	Gross Amount at which Carried at December 31, 2000			Accum.
	Encumbrance	Land	Building and Improvements	Acquisition	Land	Building and Improvements	Total

								Deprec.(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Schools								
Phoenix, AZ	-	100	1,834	-	100	1,834	1,934	149
Egan, MN	-	100	3,688	26	100	3,714	3,814	309
Trenton, NJ	-	100	6,000	3,170	100	9,170	9,270	485
Scottsdale, AZ	-	1,000	8,400	-	1,000	8,400	9,400	280
Schools	-	1,300	19,922	3,196	1,300	23,118	24,418	1,223
	$119,928	$23,484	$426,950	$18,064	$23,484	$445,014	$468,498	$47,181

</TABLE>

<TABLE>
<CAPTION>

Construction/ Renovation Date	Acquisition Date
<S>	<C>
1980/97/98	May-98
1987/97	Jun-98
1930/98	Dec-98
1999	Dec-99

</TABLE>

(1) 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.
(2) Single note backed by five facilities in Alabama
(3) Single note backed by two facilities in Washington
(4) Single note backed by six facilities in Iowa and one facility in Texas
(5) Single note backed by two facilities in Alabama
(6) Single note backed by two facilities in Texas
(7) Single note backed by five facilities in Washington
(8) Single note backed by two facilities in Texas
(9) Single note backed by two facilities in Texas
(10) Single note backed by two facilities in Georgia
(11) Single note backed by three facilities in Colorado
(12) Single note backed by one facility in Florida, three facilities in Oklahoma, and three facilities in Texas
(13) Single note backed by one facility in Kansas and two facilities in Georgia
(14) An impairment charge totaling $7,529,000 was taken against 6 facilities

Activity for the years ended December 31, 1998, 1999 and 2000 is as follows:

<TABLE>
<CAPTION>

Real Estate Accumulated

	& Equipment	Depreciation
<S>	<C>	<C>
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
Additions	22,495	15,145
Conversion of mortgage loans into owned properties	12,255	-
Impairment charge	(7,529)	-
Cost of real estate sold	(53,636)	(7,939)
Balance at December 31, 2000	$ 468,498	$ 47,181

</TABLE>

LTC PROPERTIES, INC.
SCHEDULE IV
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, 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SC	5	509	12.67%	2003	$10,754	$ 11,250	$ 10,828
CO	2	230	11.63%	2007	5,412	6,000	5,844
MS	1	180	11.32%	2006	5,033	5,465	5,363
AZ	1	256	10.96%	2001	5,033	5,250	2,860
OH	1	150	10.59%	2006	4,579	5,200	4,972
FL	1	191	11.88%	2017	0	4,500	4,262
CA	1	212	10.28%	2018	0	3,500	3,364
FL	1	94	10.15%	2007	2,879	3,290	3,190
NE	1	47	11.22%	2008	3,071	3,243	3,213
Various(3)	39	3,660	9.13%-13.6%	2001-2018	44,210	68,476	63,503
	53	5,529			$80,971	$116,174	$107,399

</TABLE>

<TABLE>
<CAPTION>

Current Monthly Debt Service	Principal Amount of Loans Subject to Delinquent Principal or Interest
<S>	<C>
$ 121	$ -
62	-
55	-
-	5,907
50	-
49	-
34	-
30	-
31	-
690	3,133
$1,122	$9,040

</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) Includes 48 first-lien mortgage loans as follows:

# of Loans	Original loan amounts:
26	$ 247 - $2,000
10	$2,001 - $3,000
6	$3,001 - $4,000
1	$4,001 - $5,000
4	$5,001 - $6,000
1	$6,001 - $11,250

Activity for the years ended December 31, 1998, 1999 and 2000 is as follows:

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
Additional funding of existing loans	964
Conversion of notes to owned properties	(12,131)
Impairment charges	(5,088)
Collections of principal	(8,789)
Balance at December 31, 2000	$107,399

INDEX TO EXHIBITS
(ITEM 14(b))

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)
3.8	Articles Supplementary Classifying 40,000 shares of Series D Junior Participating Preferred Stock of LTC Properties, Inc. (incorporated by reference to Exhibit 4.7 to LTC Properties, Inc.'s Registration Statement on Form 8-A filed on May 9, 2000)
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 $30,000,000 in principal amount of 8.25% Convertible Subordinated Debentures due 2001 (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)
4.8	Rights Agreement dated as of May 2, 2000 (incorporated by reference to Exhibit 4.1 to LTC Properties, Inc.'s Registration Statement on Form 8-A filed on May 9, 2000)

EXHIBIT NUMBER	DESCRIPTION
10.1	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)
10.2	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)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	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)
10.9	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)
10.10	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)
10.11	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)
10.12	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)
10.13	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)

EXHIBIT NUMBER	DESCRIPTION
10.14	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)
10.15	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)
10.16	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)
10.17	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)

10.18	Second Amended and Restated Employment Agreement between Andre C. Dimitriadis and LTC Properties, Inc. dated March 26, 1999 (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), as amended by Amendment No. 1 thereto dated June 23, 2000
10.19	Amended and Restated Employment Agreement between James J. Pieczynski and LTC Properties, Inc. dated March 26, 1999 (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), as superceded by Separation Agreement effective July 1, 2000
10.20	Amended and Restated Employment Agreement between Christopher T. Ishikawa and LTC Properties, Inc. dated March 26, 1999 (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), as amended by Amendment No. 1 thereto dated June 23, 2000
10.21	Employment Agreement between Julia L. Kopta and LTC Properties, Inc. dated January 1, 2000 (incorporated by reference to Exhibit 10.33 to LTC Properties, Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999), as amended by Amendment No. 1 thereto dated June 23, 2000
10.22	Employment Agreement between Wendy L. Simpson and LTC Properties, Inc. dated April 10, 2000, as amended by Amendment No. 1 thereto dated June 23, 2000
10.23	Promissory Note dated January 1, 2000, executed by Andre C. Dimitriadis in favor of LTC Properties, Inc.
10.24	Promissory Note dated January 1, 2000, executed by James J. Pieczynski in favor of LTC Properties, Inc.
10.25	Promissory Note dated January 1, 2000, executed by Wendy L. Simpson in favor of LTC Properties, Inc.
10.26	Promissory Note dated January 1, 2000, executed by Christopher T. Ishikawa in favor of LTC Properties, Inc.
10.27	Promissory Note dated January 1, 2000, executed by Edmund C. King in favor of LTC Properties, Inc.
10.28	Promissory Note dated January 1, 2000, executed by Sam Yellen in favor of LTC Properties, Inc.
10.29	Senior Secured Revolving Credit Agreement dated October 31, 2000 (incorporated by reference to Exhibit 10 to LTC Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999)
21.1	List of subsidiaries
23.1	Consent of Ernst & Young LLP with respect to the financial information of the Company
99.0	Risk Factors

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: February 21, 2000

By: /s/ WENDY L. SIMPSON

WENDY L. SIMPSON
Vice Chairman, Chief Financial Officer and Director

<TABLE>

<S>	<C>	<C>
/s/ ANDRE C. DIMITRIADIS ANDRE C. DIMITRIADIS February 5, 2001	Chairman of the Board, Chief Executive Officer and Director	
/s/ WENDY L. SIMPSON WENDY L. SIMPSON February 5, 2001	Vice Chairman, Chief Financial Officer and Director	
/s/ JAMES J. PIECZYNSKI JAMES J. PIECZYNSKI	Chief Strategic Planning Officer and Director	

February 5, 2001

/s/ EDMUND C. KING	
- ---	
EDMUND C. KING	Director
February 5, 2001	
/s/ TIMOTHY TRICHE	
- ---	
TIMOTHY TRICHE	Director
February 5, 2001	
/s/ SAM YELLEN	
- ---	
SAM YELLEN	Director
February 5, 2001	

</TABLE>

EXHIBIT 10.18

AMENDMENT NO. 1
EMPLOYMENT AGREEMENT

This Amendment No. 1 ("Amendment") is effective June 23, 2000, and amends the Second Amended and Restated Employment Agreement dated March 26, 1999 by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland, and ANDRE DIMITRIADIS ("EXECUTIVE").

Section 5, subparagraph (g)(ii) is hereby amended as follows:

> Delete the words "more than 30%" and add the following in its place "30% or more."

The last sentence of the first paragraph of Section "6" is hereby deleted and the following sentence is hereby added:

> "In the event of such termination, the below provisions of this Section 6 shall apply, and, in the event of a Change in Control, whether or not Executive's employment is terminated thereby, Section 6(b) shall apply."

Section "6(b)" is hereby amended by deleting the semicolon and adding the following language at the end of the sentence:

> "..., and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;"

IN WITNESS WHEREOF, this Amendment No. 1 shall be effective as of the date specified in the first paragraph of this Amendment.

LTC PROPERTIES, INC., a Maryland corporation

Address: 300 Esplanade St., #1860
Oxnard, CA 93030

/s/ WENDY SIMPSON

Wendy Simpson
Vice Chairman and Chief Financial Officer

By: /s/

Compensation Committee Representative

Address: 4470 Vista Del Preseas
Malibu, CA 90265

/s/ ANDRE DIMITRIADIS

Andre Dimitriadis

EXHIBIT 10.19

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement (hereinafter "Agreement") is made and entered into by and between James J. Pieczynski (hereinafter referred to as "Executive"), on the one hand and LTC Properties, Inc., a Maryland corporation ("LTC") and LTC Healthcare, Inc., a Nevada corporation ("LTI"), and their respective parent, subsidiaries and affiliated entities, successors, and assigns (hereinafter collectively referred to as "Companies") on the other hand, based upon the following:

RECITALS:

A. WHEREAS, Executive is an employee of LTC Properties, Inc. and serves as an officer and a member of the Board of Directors of LTC, LTI and their various subsidiaries and affiliates, and

B. WHEREAS, Executive desires to commence part-time employment effective July 1, 2000 and terminate employment on June 30, 2001, unless Executive exercises his option to continue employment from July 1, 2001 to June 30, 2002 ("Option"), in which case, Executive's termination date will be June 30, 2002, and

C. WHEREAS, Executive and Companies desire to enter into this Agreement for the purpose of providing for the terms of Executive's change of status and separation of employment, including a plan of transition to commence July 1, 2000, and

D. WHEREAS, Companies and Executive have agreed to enter into this Agreement to fully, finally and completely settle and conclude any and all matters between them as set forth herein in connection with Executive's change of status and separation,

E. NOW THEREFORE, based upon the foregoing facts, and in consideration of the covenants and agreements contained herein, Executive and Companies agree as follows:

1. OBLIGATIONS AND DUTIES OF EXECUTIVE EFFECTIVE JULY 1, 2000. In addition to the provisions of this Agreement, including the covenants contained herein, Executive will perform the obligations and duties described below and such obligations and duties are conditions precedent to LTC's obligation to perform as set forth in paragraph 2 below:

(a) Executive will hereby resign his position as President and Chief Financial Officer of LTC and LTI, and will be appointed to the fiduciary position of Chief Strategic Planning Officer. Executive will serve in such position, and faithfully perform his duties until June 30, 2001 ("Year One"), unless such employment is extended by Executive to June 30, 2002 ("Year Two") pursuant to the terms of the Option, as described in Paragraph 7 of this Agreement.

(b) Executive will continue to serve as a member of the Board of Directors of LTC and LTI until the end of the current annual term which he is now serving for each LTC and LTI, or, such time as the Board of either LTC and/or LTI request his resignation from the Board, at which time Executive will be deemed to have resigned.

(c) Executive will work two days per week at his current office located at 300 Esplanade Drive, Suite 1860, Oxnard, CA 93030, with such work days to be scheduled as mutually agreed upon by the Chief Executive Officer and Executive and in response to the needs of Companies.

(d) During the period of time that Executive remains employed as Chief Strategic Planning Officer, Executive shall not, directly or indirectly, individually or in combination or association with any other person or entity own, manage, operate, control, invest in (however, Executive is not hereby precluded from purchasing and selling stock listed on any national exchange), accept employment with, consult with, participate in or be connected in any manner with the ownership, management, operation or control of any business engaged in competition with Companies (i.e., long term care REITs or nursing home operating companies, without the written consent of Companies, which consent shall be in Companies' sole and absolute discretion.

(e) During, and for a period of one year after termination of Executive's employment, Executive shall not directly or indirectly, individually or in combination or association with any other person or entity, solicit, or encourage any other person, firm or entity to solicit the employees, clients, customers, or otherwise interfere with the relationship of Companies and any of its employees, agents, representatives, clients, customers, or affiliates, without the written consent of Companies, which consent shall be in Companies' sole and absolute discretion.

(f) For a period of one year after termination, Executive shall not directly or indirectly, individually or in combination or association with any other person or entity invest in, consult with, participate in, or be connected in any manner with activity or proposal to effect a Change in Control of the Companies, as defined in Paragraph e(i), (ii) and (iii) of this Agreement, or corporate transaction involving the merger, sale, transfer, exchange or other disposition of all or substantially all of the assets of the Companies, without the express written consent of the Companies, which consent shall be in the Companies' sole and absolute discretion.

2. CONSIDERATION. In consideration for and on the condition of Executive signing this Agreement, his compliance with the promises made herein, and all conditions set forth herein having been met, LTC agrees:

(a) SALARY. To pay Executive a total annual salary of Two Hundred Sixty Five Thousand Dollars ($265,000) from July 1, 2000 though June 30, 2001 payable at the payroll periods in effect, less applicable tax withholding, by direct deposit. In the event Executive exercises his Option to continue employment from July 1, 2001 through June 30, 2002, LTC will pay Executive a total annual salary of One Hundred Fifty-Nine Thousand Dollars ($159,000) from July 1, 2001 to June 30, 2002 payable at the payroll periods in effect, less applicable tax withholding, by direct deposit.

(b) BENEFITS. To provide Executive with four (4) weeks of 2 days each (i.e. 8 days) of paid vacation, expense reimbursement, and health care benefits, including Exec-U-Care or similar plan, on the same terms available to other executives of LTC in senior level executive positions for Year One of employment and Year Two, if applicable.

(c) RESTRICTED STOCK AND STOCK OPTIONS.

(i) To permit Executive to retain the previously granted 49,896 shares of restricted stock of LTC until June 30, 2001, at which time such stock will be forfeited and returned to LTC; and, no further vesting of such stock shall occur after June 30, 2000.

(ii) To permit Executive to retain the 50,000 stock options of LTC at 5-3/8 granted on March 31, 2000 on the terms set forth herein. Such options to vest at 20% (10,000 options) on March 31, 2001. If Executive continues in employment until June 30, 2002 another 20% (10,000 options) will vest on March 31, 2002. Should LTC and Executive mutually agree in writing to continue employment after June 30, 2002, such options will continue to vest at twenty percent (20%) per year on each March 31, until fully vested. At termination of employment, all unvested options will expire. All vested options, if not exercised, will expire one year from the date of termination.

(iii) To permit Executive to retain the 56,000 stock options of LTI granted on May 19, 1998 and November 5, 1998, and to continue to vest during Year One and Year Two, as applicable, pursuant to the vesting schedule currently in effect, until employment terminates pursuant to the Agreement. Specifically, of the 56,000 options granted, 30,334 have vested. At termination of employment, all unvested options will expire. All vested options, if not exercised, will expire one year from the date of termination. 11,666 options are scheduled to vest on May 19, 2001; and 7,000 options are scheduled to vest on November 5, 2000, and 7,000 options are scheduled to vest on November 5, 2001.

(c) BONUS. To permit Executive to remain eligible to receive a discretionary bonus in connection with services provided during Year One and/or Year Two, as applicable, however, any such bonus will be reduced to forty percent (40%) of whatever bonus Executive might have received had Executive continued his employment in the same status as it was prior to July 1, 2000. However, any bonus is purely discretionary with LTC having the sole and absolute right to grant a bonus. Nothing herein obligates LTC to pay any bonus.

(d) DEFERRED COMPENSATION. To permit Executive to remain eligible and continue to participate in the Deferred Compensation Plan for Year One and Year Two, as applicable. However, any such contribution made on behalf of Executive will be reduced to forty percent (40%) of whatever Executive might have received had Executive continued his employment in the same status as it was prior to July 1, 2000. As of July 30, 2000, Executive's Deferred Compensation balance is 39,481 shares of LTC stock; 409 shares of LTI stock and $12,194 to be reinvested in LTC stock ("Balance"). The Balance, plus any contribution made thereafter during Executive's continued employment, will be distributed pursuant to the terms of the Plan.

(e) LOAN. To provide that the loan as described in the Loan Agreement and Promissory Note executed between Executive and LTC on March 25, 1997 with a balance of $729,688.00, which would otherwise be due to LTC upon termination of employment, be due on January 1, 2009. Further, upon either (i) Andre Dimitriadis ceasing to be the Chief Executive Officer of LTC, (ii) Executive's death, or (iii) a Change of Control, Executive and/or his executor will have the option of selling the 62,500 shares of stock underlying the loan to the Executive for the outstanding balance of the loan then remaining. Additionally, if LTC stock

trades at $13 per share or better for a 30 day consecutive period, the Company will have the option of calling the loan due and Executive shall pay the then outstanding balance of the loan within 90 days of such call. "Change in Control" shall mean a change in ownership or control of the Company effected through any of the following transactions:

(i) any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the total combined voting power of the Company's then outstanding securities; or

(ii) 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

(iii) 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.

(iv) a majority of the members of the Board of Directors cease to be continuing Directors.

3. NO FURTHER CONSIDERATION. Executive acknowledges and agrees that, except as specifically provided in Paragraph 2, no other payment, benefits or services shall be made during any remaining term of employment or in connection with the termination thereof, except for Executive's rights to receive benefits under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA").

4. DATE OF RESIGNATION. The effective date of Executive's resignation shall be June 30, 2001, unless Executive exercises his Option to continue employment pursuant to paragraph 7.

5. TERMINATION OF EMPLOYMENT AGREEMENT. Upon execution of this Agreement, this Agreement constitutes a termination of the Amended and Restated Employment Agreement dated March 26, 1999 ("Employment Agreement"), which shall have no further force and effect.

6. CONSULTING. Executive may consult during the time that he is not otherwise committed to perform pursuant to this Agreement, as long as such consulting does not violate any provisions herein.

7. OPTION. Executive shall have the option to extend his employment until June 30, 2002, Year Two, and received such benefits as specifically described in paragraph 2 of this

Agreement. During Year Two, Executive shall perform the obligations and duties as described in paragraph 1 of this Agreement and comply with all other covenants set forth herein.

8. INDEMNIFICATION. LTC shall indemnify Executive and hold him harmless from and against all claims, losses, damages, expense or liabilities (including expenses of defense and settlement) based upon or in any way arising from or connected with his 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 action or claim which is brought if indemnification cannot be determined to be available prior to the conclusion of such action or the investigation of such claim. LTC shall investigate in good faith the availability and cost of directors' and officers' insurance and shall include Executive as an insured in any policy of such insurance it maintains.

9. MUTUAL COVENANT NOT TO SUE.

Executive warrants, and represents that there is not now pending any action, complaint, petition, charge, grievance, or any other form of administrative, legal or arbitral proceeding by Executive against Companies, and/or any of its or their respective past or present officers, directors, trustees, shareholders, agents, employees, independent contractors, attorneys, successors or assigns, and each of them (hereinafter referred to collectively for convenience as the "Companies and RELEASEES"), and further warrants and represents that no such proceeding of any kind shall be instituted by Executive or on Executive's behalf with regard to any matter naming Companies and RELEASEES, or any of them, as a defendant, respondent or charged party, except to the extent that Executive brings an action to enforce the terms of this Agreement.

Companies warrant, and represent that there is not now pending any action, complaint, petition, charge, grievance, or any other form of administrative, legal or arbitral proceeding by Companies against Executive, his heirs, devisees, successors and assigns (hereinafter referred to collectively for convenience as the "Executive RELEASEES"), and further warrants and represents that no such proceeding of any kind shall be instituted by Companies or on Companies' behalf with regard to any matter naming Executive RELEASEES, as a defendant, respondent or charged party, except to the extent that Executive brings an action to enforce the terms of this Agreement.

10. MUTUAL RELEASE.

Executive hereby expressly releases and waives and absolutely and forever discharges any and all claims, liabilities, demands, damages, penalties, debts, accounts, obligations, actions, grievances and causes of action (hereinafter all referred to collectively as "Claims"), whether now known or unknown, suspected or unsuspected, whether in law, in equity or in arbitration, of any kind or nature whatsoever, which Executive has or claims to have, now or hereafter, against Companies and RELEASEES, and against any of them, arising before the date Executive executed this Agreement, including, but not limited to, any Claims arising out of or relating to Executive's employment with Companies and termination thereof. Without limiting the foregoing, Executive hereby acknowledges and agrees that the Claims released by this Agreement include, but are not limited to, any and all claims which arise or could arise under California statutory or common law, federal law, the U.S. Civil Rights Act of 1964, as amended,

the Employee Retirement Income Security Act of 1967, as amended, and the California Fair Employment and Housing Act and the U.S. Age Discrimination in Employment Act of 1967, as amended.

Companies hereby expressly release and waive and absolutely and forever discharge any and all claims, liabilities, demands, damages, penalties, debts, accounts, obligations, actions, grievances and causes of action (hereinafter all referred to collectively as "Claims"), whether now known or unknown, suspected or unsuspected, whether in law, in equity or in arbitration, of any kind or nature whatsoever, which Companies have or claim to have, now or hereafter, against Executive RELEASEE, arising before the date Companies executed this Agreement, including, but not limited to, any Claims arising out of or relating to Executive's employment with Companies and termination thereof. Without limiting the foregoing, Companies hereby acknowledge and agree that the Claims released by this Agreement include, but are not limited to, any and all claims which arise or could arise under California statutory or common law, federal law, the U.S. Civil Rights Act of 1964, as amended, the Employee Retirement Income Security Act of 1967, as amended, and the California Fair Employment and Housing Act and the U.S. Age Discrimination in Employment Act of 1967, as amended.

11. SECTION 1542 WAIVER. As part of this general release, and not by way of limitation, Executive expressly, absolutely and forever releases and waives all of Executive's rights under Section 1542 of the California Civil Code. Executive hereby expressly acknowledges that Executive has been informed of, and that Executive is familiar with, the provisions of Section 1542, which states:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In connection with such release, waiver and relinquishment, Executive acknowledges that Executive is aware that Executive may later discover facts in addition to or different from those which Executive now knows or believes to be true with respect to any of the subject matters of this Agreement, but that it is nevertheless Executive's intention by signing this Agreement to fully, finally and forever settle and release all of Executive's Claims, whether now known or unknown, suspected or unsuspected, which now exist, may exist or previously have existed between Executive, on the one hand, and Companies and RELEASEES, and any of them, on the other hand. In furtherance of such intention the general release given herein shall be and shall remain in effect as a full and complete general release, notwithstanding the discovery by Executive of the existence of any such additional or different facts.

As part of this general release, and not by way of limitation, Companies expressly, absolutely and forever release and waive all of Companies' rights under Section 1542 of the California Civil Code. Companies hereby expressly acknowledge that Companies have been informed of, and that Companies are familiar with, the provisions of Section 1542, which states:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the

> time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In connection with such release, waiver and relinquishment, Companies acknowledge that Companies are aware that Companies may later discover facts in addition to or different from those which Companies now know or believe to be true with respect to any of the subject matters of this Agreement, but that it is nevertheless Companies' intention by signing this Agreement to fully, finally and forever settle and release all of Companies' Claims, whether now known or unknown, suspected or unsuspected, which now exist, may exist or previously have existed between Companies, on the one hand, and Executive RELEASEE, on the other hand. In furtherance of such intention the general release given herein shall be and shall remain in effect as a full and complete general release, notwithstanding the discovery by Companies of the existence of any such additional or different facts.

12. CONFIDENTIALITY.

(a) Executive acknowledges that by reason of his employment, he was given access to confidential, proprietary and /or trade secret information and materials of or regarding Companies and RELEASEES, and its or their customers, clients, investors, contractors, vendors, and other persons and entities doing business with Companies or Companies and RELEASEES, including, but not limited to, business plans; customer lists; customer profiles; product design information; employment data; sources of customers or business; financial information; formulas; methodologies, the contents and provisions of contracts and agreements to which Companies and/or RELEASEES are, were or may be parties; technology; processes; and methods of production or operation (collectively, the "Companies Information"). Executive represents that he has kept confidential all such Companies Information and, except as required by law, Executive hereby agrees that he shall always keep and maintain strictly confidential and not disclose to any person or entity any such Companies Information. Executive hereby further warrants and represents that, upon termination, he will return to Companies all of the property in his possession or control belonging to Companies and RELEASEES, including but not limited to, Companies Information and any other Companies property and all copies and duplicates thereof.

(b) Executive understands and agrees that this Paragraph is a material provision of this Agreement and that any breach of any provision of this Paragraph shall be a material breach of this Agreement.

(c) As soon as Executive becomes aware that any third party is seeking disclosure of any of the confidential information described in this Paragraph though subpoena, legal process, or discovery, he shall inform Companies immediately.

13. COOPERATION. Executive covenants and agrees that at any time, at Companies' request and without further consideration, to cooperate fully by making himself available to provide information to Companies pertaining to Company matters; and to execute and deliver such documents, but not limited to, as may be necessary to perform his duties.

14. GOOD FAITH: FURTHER ASSURANCES: COOPERATION. The parties to this Agreement shall in good faith undertake to perform their obligations in this Agreement, to satisfy all conditions and to cause the transaction contemplated by this Agreement to be carried out

promptly in accordance with the terms of this Agreement. Upon the execution of this Agreement and thereafter, each party shall do such things as may be reasonably requested by another party hereto in order more effectively to consummate or to document the transactions contemplated by this Agreement. The parties shall cooperate fully with each other and their respective counsel and accountants or designees in connection with any steps required to be taken as part of their respective obligations under this Agreement.

15. NONDISPARAGEMENT. Executive shall not disparage Companies or any of Companies and RELEASEES in any manner whatsoever, and Companies shall not disparage Executive or any of Executive RELEASEES in any manner whatsoever.

16. MUTUAL RELEASE AND SECTION 1542 WAIVER. Companies and Executive agree and covenant that five (5) days prior to termination of employment, each will execute a mutual release and waiver upon the same terms as set forth in paragraphs 9 and 10 of this Agreement.

17. ENTIRE AGREEMENT. This Agreement constitutes and contains the entire agreement and understanding concerning the subject matters between the parties hereto, and supersedes and replaces all prior negotiations and all proposed agreements, promises, covenants, guarantees, representations, whether written or oral, express or implied, concerning any of the subject matters hereof, including, but not limited to, the Amended and Restated Employment Agreement dated March 26, 1999. The parties agree and acknowledge that they have not signed this Agreement in reliance on any agreement, promise, covenant, guarantee, representation, commitment, or warranty not expressly set out in writing in this Agreement.

18. SEVERABILITY. Should any part, term or provision of this Agreement, with the exception of the releases embodied in Paragraphs 7 and 8 be declared or determined by any Court or other tribunal of appropriate jurisdiction to be invalid or unenforceable, any such invalid provision and any and all of the other terms of the Agreement shall remain in full force and effect to the fullest extent permitted by law.

19. MODIFICATION. This Agreement can only be modified by a writing signed by all of the parties hereto.

20. INTERPRETATION. This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not in limitation, this Agreement shall not be construed in favor of the party receiving a benefit nor against the party responsible for any particular language in this Agreement. Captions are used for references purposes only and should be ignored in the interpretation of the Agreement.

21. PARTIES' UNDERSTANDING PRIOR TO SIGNING. Individuals acknowledge that they have completely read this Agreement and Release, that prior to signing they have had sufficient opportunity to examine it and ask questions, and that they are aware of their right to seek advice of legal counsel. The parties further acknowledge that this Agreement is being signed voluntarily and without coercion, duress or undue influence and with full understanding of its terms and effects.

21. ARBITRATION.

Any controversy or claim rising out of or relating to this Agreement or the breach of this Agreement shall be settled by arbitration administered by the American Arbitration Association under its Employment Dispute Resolution Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction.

Any controversy or claim submitted for arbitration shall be submitted to an arbitrator selected from a panel of arbitrators provided by the American Arbitration Association. The arbitrator shall be a member of the National Academy of Arbitrators who resides in California. The arbitration proceedings shall be conducted in Los Angeles, California.

Punitive or exemplary damages shall not be awarded for any breach or alleged breach of this Agreement and the parties waive any right to seek, claim or receive punitive or exemplary damages.

The arbitration provisions of this Agreement provide its exclusive remedies and each party expressly waives the right to pursue redress in any other forum.

The arbitrators shall not be empowered or authorized to add to, subtract from delete or in any other way modify, the terms of this Agreement.

The costs of arbitration shall be borne by the losing party or shall be apportioned as the arbitrator shall decide.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the day or days and year written below.

EXECUTIVE

Dated: __________________________ By: /s/ JAMES J. PIECZYNSKI
James J. Pieczynski

COMPANIES:
LTC PROPERTIES, INC.

Dated: 7-24-00 By: /s/ [ILLEGIBLE]

Title: CHAIRMAN & CEO

LTC HEALTHCARE, INC.

Dated: 7-24-00 By: /s/ [ILLEGIBLE]

Title: CHAIRMAN & CEO

EXHIBIT 10.20

AMENDMENT NO. 1
EMPLOYMENT AGREEMENT

This Amendment No. 1 ("Amendment") is effective June 23, 2000, and amends the Amended and Restated Employment Agreement dated March 26, 1999 by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland, and CHRISTOPHER ISHIKAWA ("EXECUTIVE").

Section 5, subparagraph (g)(ii) is hereby amended as follows:

> Delete the words "more than 30%" and add the following in its place "30% or more."

The last sentence of the first paragraph of Section "6" is hereby deleted and the following sentence is hereby added:

> "In the event of such termination, the below provisions of this Section 6 shall apply, and, in the event of a Change in Control, whether or not Executive's employment is terminated thereby, Section 6(b) shall apply."

Section "6(b)" is hereby amended by deleting the semicolon and adding the following language at the end of the sentence:

> "..., and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;"

IN WITNESS WHEREOF, this Amendment No. 1 shall be effective as of the date specified in the first paragraph of this Amendment.

LTC PROPERTIES, INC., a Maryland corporation

Address: 300 Esplanade St., #1860
Oxnard, CA 93030

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman and Chief Executive Officer

By: /s/

Compensation Committee Representative

Address: 1673 Brentford Ave.
Westlake Village, CA 91361

/s/ CHRISTOPHER ISHIKAWA

Christopher Ishikawa

EXHIBIT 10.21

AMENDMENT NO. 1
EMPLOYMENT AGREEMENT

This Amendment No. 1 ("Amendment") is effective June 23, 2000, and amends the Amended and Restated Employment Agreement dated January 1, 2000 by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland, and JULIA KOPTA ("EXECUTIVE").

Section 5, subparagraph (g)(ii) is hereby amended as follows:

> Delete the words "more than 30%" and add the following in its place "30% or more."

The last sentence of the first paragraph of Section "6" is hereby deleted and the following sentence is hereby added:

> "In the event of such termination, the below provisions of this Section 6 shall apply, and, in the event of a Change in Control, whether or not Executive's employment is terminated thereby, Section 6(b) shall apply."

Section "6(b)" is hereby amended by deleting the semicolon and adding the following language at the end of the sentence:

> "..., and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;"

IN WITNESS WHEREOF, this Amendment No. 1 shall be effective as of the date specified in the first paragraph of this Amendment.

LTC PROPERTIES, INC., a Maryland corporation

Address: 300 Esplanade St., #1860
Oxnard, CA 93030

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman and Chief Executive Officer

By: /s/

Compensation Committee Representative

Address: 105 Layton Avenue
Ojai, CA 93023

/s/ JULIA KOPTA

Julia Kopta

EXHIBIT 10.22

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of April 10, 2000, is by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland ("LTC" or the "Company"), and WENDY SIMPSON ("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 Vice Chairperson and Chief Financial Officer. 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 Vice Chairperson and Chief Financial Officer 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.

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 Vice Chairperson of LTC and Chief Financial Officer, 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:

(a) LTC shall pay to Executive a base salary at an annual rate of not less than Three Hundred Thousand Dollars ($300,000) 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.

(b) 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.

(c) 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.

(d) LTC shall grant Executive 85,000 stock options pursuant to the 1998 Equity Participation Plan at the price of closing on April 10, 2000, $5.31 per share, which options shall vest at 20% per year, beginning on the first anniversary of Executive's employment, April 10, 2001.

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

(a) 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;

(b) 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;

(c) 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;

(d) "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;

(e) "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;

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

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

(i) 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

(ii) 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

(iii) 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

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

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

(i) "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.

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

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

(l) "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.

(a) 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 two times 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;

(b) 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;

(c) 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;

(d) 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;

(e) 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;

(f) 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;

(g) GROSS-UP.

(i) 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.

(ii) 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.

(iii) 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 rate 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 93030

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman and Chief Executive Officer

By: /s/

Compensation Committee Representative

Address: 5235 Linwood Drive
Los Feliz, CA 90027

/s/ WENDY SIMPSON

Wendy Simpson

AMENDMENT NO. 1
EMPLOYMENT AGREEMENT

This Amendment No. 1 ("Amendment") is effective June 23, 2000, and amends the Employment Agreement dated April 10, 2000 by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland, and WENDY SIMPSON ("EXECUTIVE").

Section 5, subparagraph (g)(ii) is hereby amended as follows:

> Delete the words "more than 30%" and add the following in its place "30% or more."

The last sentence of the first paragraph of Section "6" is hereby deleted and the following sentence is hereby added:

> "In the event of such termination, the below provisions of this Section 6 shall apply, and, in the event of a Change in Control, whether or not Executive's employment is terminated thereby, Section 6(b) shall apply."

Section "6(b)" is hereby amended by deleting the semicolon and adding the following language at the end of the sentence:

> "..., and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;"

IN WITNESS WHEREOF, this Amendment No. 1 shall be effective as of the date specified in the first paragraph of this Amendment.

LTC PROPERTIES, INC., a Maryland corporation

Address: 300 Esplanade St., #1860
Oxnard, CA 93030

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis

Chairman and Chief Executive Officer

By: /s/

Compensation Committee Representative

Address: 5235 Linwood Drive
Los Angeles, CA 90027

/S/ WENDY SIMPSON

Wendy Simpson

EXHIBIT 10.23

PROMISSORY NOTE

4,318,895.23 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, ANDRE C. DIMITRIADIS, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of Four Million Three Hundred Eighteen Thousand Eight Hundred Ninety Five and 23/100 Dollars (4,318,895.23) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of March 25, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any)

and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest

Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED

HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL: _______
MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute discretion, and without notice to Maker, shall have the absolute right to sell,

assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. CHANGE IN CONTROL. In the event that there occurs a Change in Control, as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

13. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

14. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

15. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ ANDRE C. DIMITRIADIS

ANDRE C. DIMITRIADIS

EXHIBIT 10.24

PROMISSORY NOTE

752,438.31 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, JAMES J. PIECZYNSKI, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of Seven Hundred Fifty Two Thousand Four Hundred Thirty Eight and 31/100 Dollars (752,438.31) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of March 25, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean

any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR

EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL: _______
MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute discretion, and without notice to Maker, shall have the absolute right to sell,

assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. CHANGE IN CONTROL. In the event that there occurs a Change in Control, as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

13. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

14. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

15. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ JAMES J. PIECZYNSKI

JAMES J. PIECZYNSKI

EXHIBIT 10.25

PROMISSORY NOTE

147,536.40 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, WENDY L. SIMPSON, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of One Hundred Forty Seven Thousand Five Hundred Thirty Six and 40/100 Dollars (147,536.40) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of March 25, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean

any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR

EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL: _______
MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute discretion, and without notice to Maker, shall have the absolute right to sell, assign, gift, transfer, convey, encumber or otherwise dispose of all or a

portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. CHANGE IN CONTROL. In the event that there occurs a Change in Control,

as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

13. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

14. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

15. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ WENDY L. SIMPSON

WENDY L. SIMPSON

EXHIBIT 10.26

PROMISSORY NOTE

252,485.55 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, CHRISTOPHER T. ISHIKAWA, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of Two Hundred Fifty Two Thousand Four Hundred Eighty Five and 55/100 Dollars (252,485.55) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of June 30, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean

any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR

EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL: _______
MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute discretion, and without notice to Maker, shall have the absolute right to sell,

assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. CHANGE IN CONTROL. In the event that there occurs a Change in Control, as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

13. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

14. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

15. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ CHRISTOPHER T. ISHIKAWA

CHRISTOPHER T. ISHIKAWA

EXHIBIT 10.27

PROMISSORY NOTE

591,369.33 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, EDMUND C. KING, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of Five Hundred Ninety One Thousand Three Hundred Sixty Nine and 33/100 Dollars (591,369.33) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of March 25, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean

any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR

EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL: ---------
MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute

discretion, and without notice to Maker, shall have the absolute right to sell, assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. DISCONTINUANCE OF NON-EMPLOYEE DIRECTOR SERVICE. If Maker resigns, is not nominated to serve, fails to be elected to serve, or otherwise discontinues service as a non-employee member of Payee's Board of Directors for any reason, other than in the case of the death of Maker or in connection with a Change in Control, Payee shall not have the right to accelerate the Maturity Date; PROVIDED, HOWEVER, that if prior to the effective date of such discontinuance of service a majority of the non-employee members of Payee's Board of Directors, which majority can include Maker, vote to accelerate the Maturity Date, then the entire balance of unpaid principal and accrued Interest thereon shall be due and payable by Maker as of the effective date of such discontinuance of service.

13. CHANGE IN CONTROL. In the event that there occurs a Change in Control, as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

14. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

15. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

16. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ EDMUND C. KING

EDMUND C. KING

EXHIBIT 10.28

PROMISSORY NOTE

591,281.29 Oxnard, California
January 1, 2000

In installments as herein stated, for value received, SAM YELLEN, AN INDIVIDUAL ("Maker"), hereby promises to pay to the order of LTC PROPERTIES, INC., A MARYLAND CORPORATION ("Payee"), at Payee's principal place of business in Oxnard, California, or such other place as the Payee may from time to time designate, the principal sum of Five Hundred Ninety One Thousand Two Hundred Eighty One and 29/100 Dollars (591,281.29) (the "Loan"), with interest from the date hereof on unpaid principal at a rate equal to the lesser of (i) Six and Seven Hundredths Percent (6.07%) per annum, or (ii) the Highest Lawful Rate (as defined in Section 11, below) (the "Regular Interest Rate"). Principal and interest shall be payable as more particularly set forth below. All remaining principal and accrued but unpaid interest shall be due on or before December 31, 2008 ("Maturity Date"). Principal and interest, and all other sums due hereunder, shall be payable in lawful money of the United States.

The Loan is governed by, among other things, the terms and conditions of that certain Loan Agreement dated of even date herewith by and between Maker and Payee (the "Loan Agreement"). Maker had used the Loan under the Prior Agreement, as hereinafter defined, to acquire shares of Payee's common stock through the exercise of Maker's vested stock options in Payee (the "Prior Loan"). The Loan represents an amount equal to the principal balance as of December 31, 1999 of the loan made to Maker by Payee dated as of March 25, 1997 (the "Prior Agreement") and all Additional Advances as defined in the Loan Agreement. As security for the Loan, Maker has pledged the shares of Payee's common stock acquired by Maker with the Prior Loan (the "Pledged Shares") and has assigned and delivered the original Pledged Shares to Payee, all in accordance with that certain Stock Pledge and Security Agreement made by Maker in favor of Payee (the "Pledge Agreement").

1. PAYMENTS. Payments of principal and interest under this Note shall be made by Maker, without set-off, deduction, demand or notice of any kind or nature whatsoever, as follows:

(a) REGULAR INTEREST. Except as otherwise provided herein, interest shall accrue on the principal amount of the Loan from time to time outstanding from the date hereof through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at the Regular Interest Rate ("Regular Interest"). In no event shall the Regular Interest Rate exceed the Highest Lawful Rate.

(b) INTEREST PAYMENT DATE; BUSINESS DAY. As used herein, the term "Interest Payment Date" shall mean the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder during each and every calendar quarter during the term of the Loan, however, that if any such date is not a Business Day, the Interest Payment Date shall be the first (1st) Business Day which follows the fifteenth (15th) calendar day after Payee has given Maker written notice of the amount of principal (if any) and interest owing hereunder. In addition, as used herein, the term "Business Day" shall mean

any day in which dealings in U.S. Dollar deposits between banks may be carried on in New York, New York, and on which Payee is open for business at its principal place of business in Oxnard, California.

(c) PAYMENTS OF REGULAR INTEREST. Regular Interest on the outstanding principal of the Loan shall accrue from the date hereof at the Regular Interest Rate. Interest-only payments of Regular Interest shall be made by Maker on each and every Interest Payment Date at the end of the quarter to which they apply, during the entire Loan term until the Maturity Date, at which time the entire balance of unpaid principal and Regular Interest thereon shall be due and payable. If the most recent dividends received by the Borrower arising from the pledged shares is not at least equal to the Regular Interest, the Borrower shall only pay an amount equal to the most recent dividend received. Any excess of the Regular Interest over the most recent dividend shall be added to the principal balance of the loan. The installments of Regular Interest to be paid by Maker shall be calculated on the basis of a three hundred sixty-five (365) day year.

(d) SWEEP SINKING FUND. In addition to the payments described in Section 1(c) above, during the entire term of the Loan Maker agrees to pay to Payee on each and every Interest Payment Date, one-half (1/2) of an amount equal to (1) the most recent dividend received by Maker arising from the Pledged Shares minus (2) the Regular Interest due from Maker to Payee on the Interest Payment Date following the payment of said dividend.

(e) APPLICATION OF PAYMENTS. All payments made to Payee hereunder and under the Loan Agreement shall be applied in the following priority: first, to costs and expenses due under the Loan Documents; second, to fees due to Payee, if any, under the terms of the Loan Documents; third, to accrued and unpaid late charges, if any, owed by Maker; fourth, to accrued and unpaid Regular Interest owed by Maker; fifth, to the unpaid principal at any time. Upon written request by Maker, Payee shall provide Maker with a statement setting forth the application of any payments other than to principal and interest.

(f) PAYMENT UPON MATURITY. On the Maturity Date the entire outstanding principal balance of the Loan, together with any and all accrued and unpaid Regular Interest, and all other amounts, of any kind or nature whatsoever, owing by Maker to Payee under the Loan Documents shall be fully due and payable to Payee.

2. PREPAYMENTS. Maker shall have the right to prepay all or any part of the principal balance of this Note at any time without premium, penalty, or charge of any kind.

3. LATE PAYMENT CHARGE; NO WAIVER. IN THE EVENT THAT ANY INSTALLMENT PAYABLE HEREUNDER SHALL BECOME OVERDUE FOR A PERIOD IN EXCESS OF FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, IRRESPECTIVE OF WHETHER SUCH FAILURE CONSTITUTES AND EVENT OF DEFAULT AS DEFINED BELOW, THEN PAYEE SHALL HAVE THE OPTION, SUBJECT TO THE LIMITATIONS PROVIDED IN SECTION 11 OF THIS NOTE, TO CHARGE MAKER A LATE PAYMENT CHARGE IN AN AMOUNT EQUAL TO FIVE PERCENT (5%) OF THE AMOUNT OVERDUE HEREUNDER. MAKER ACKNOWLEDGES THAT LATE PAYMENT TO PAYEE OF ANY SUMS DUE HEREUNDER WILL CAUSE PAYEE TO INCUR COSTS NOT CONTEMPLATED HEREUNDER, THE EXACT AMOUNT OF WHICH WILL BE IMPRACTICABLE OR

EXTREMELY DIFFICULT TO ASCERTAIN. SUCH COSTS INCLUDE, BUT ARE NOT LIMITED TO, PROCESSING AND ACCOUNTING CHARGES. ACCORDINGLY, IF ANY INSTALLMENT IS NOT RECEIVED BY PAYEE WITHIN FIVE (5) BUSINESS DAYS AFTER WRITTEN NOTICE THEREOF FROM PAYEE, OR IF ANY REMAINING PRINCIPAL AND ACCRUED BUT UNPAID INTEREST OWING UNDER THIS NOTE IS NOT PAID IN FULL ON THE MATURITY DATE OR THE ADDITIONAL ADVANCE MATURITY DATE (AS APPLICABLE), MAKER SHALL THEN PAY TO PAYEE AN ADDITIONAL SUM OF FIVE PERCENT (5%) OF THE OVERDUE AMOUNT AS A LATE CHARGE. THE PARTIES HEREBY AGREE THAT SUCH LATE CHARGE REPRESENTS A FAIR AND REASONABLE ESTIMATE OF THE COSTS PAYEE WILL INCUR BY REASON OF LATE PAYMENT. THIS PROVISION SHALL NOT, HOWEVER, BE CONSTRUED AS EXTENDING THE TIME FOR PAYMENT OF ANY AMOUNT HEREUNDER, AND ACCEPTANCE OF SUCH LATE CHARGE BY PAYEE SHALL IN NO EVENT CONSTITUTE A WAIVER OF MAKER'S DEFAULT WITH RESPECT TO SUCH OVERDUE AMOUNT NOR PREVENT PAYEE FROM EXERCISING ANY OF ITS OTHER RIGHTS AND REMEDIES WITH RESPECT TO SUCH DEFAULT.

INITIAL:

MAKER

4. DEFAULT. The occurrence of any event which, under the provisions of the Loan Agreement, constitutes an Event of Default (as that term is defined in the Loan Agreement) under the Loan Agreement shall constitute an event of default ("Event of Default") under this Note.

5. ACCELERATION RIGHTS. Upon the occurrence of an Event of Default hereunder, or as otherwise provided in the Loan Agreement, Payee may, in its sole discretion, declare the entire outstanding balance of principal and accrued interest thereon immediately due and payable, together with all costs of collection, including reasonable attorneys' fees and all other costs and expenses incurred.

6. ATTORNEYS' FEES AND COSTS. In the event it becomes necessary for Payee to utilize legal counsel for the enforcement of this Note or any of its terms, if Payee is successful in such enforcement by legal proceedings or otherwise, Payee shall be reimbursed immediately by Maker for all of its reasonable attorneys' fees (including fees for Payee's in-house attorneys, paralegals, experts and the like) and other costs and expenses.

7. WAIVERS. Maker of this Note hereby waives diligence, demand, presentment for payment, exhibition of this Note, notice of non-payment or dishonor, protest and notice of protest, notice of demand, notice of election of any right of holder hereof, any and all exemption rights against this indebtedness, and expressly agrees that, at Payee's election, the time for performance of any obligation under this Note may be extended from time to time, without notice and that no such extension, renewal, or partial release shall release Maker from its obligation of payment of this Note or any installment hereof, and consents to offset of any sums owed to Maker by the holder hereof at any time.

8. ASSIGNMENT/TRANSFER BY PAYEE. Payee, in Payee's sole and absolute

discretion, and without notice to Maker, shall have the absolute right to sell, assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of holder s rights in this Note or any other agreement related thereto. Maker may not assign, gift, transfer, convey, encumber or otherwise dispose of all or a portion of its rights, nor delegate its duties or obligations under this Note or any other agreement related thereto.

9. GOVERNING LAW. This Note shall in all respects be interpreted, enforced, and governed by and under the internal laws of the State of California without resort to choice of law principles.

10. SEVERABILITY. Every provision hereof is intended to be several. If any provision of this Note is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the other provisions hereof, which shall remain binding and enforceable.

11. COMPLIANCE WITH USURY LAWS. It is the intention of the parties hereto to conform strictly to applicable usury laws regarding the use, forbearance or detention of the indebtedness evidenced by this Note, whether such laws are now or hereafter in effect, including the laws of the United States of America, the laws of the State of California or any other jurisdiction whose laws are applicable, and including subsequent revisions to or judicial interpretations of those laws, in each case to the extent they are applicable to this Note (the "Applicable Usury Laws"); provided, however, if such laws shall hereafter permit higher rates of interest, then the Applicable Usury Laws shall be the laws allowing the higher rate of interest. Accordingly, the following shall apply:

(a) if any acceleration of the Maturity Date of this Note or any payment by Maker or any other person or entity results in the amount of interest contracted for, charged, taken, reserved, received by or paid by Maker or such other person or entity on the principal amount outstanding, from time to time, on the Note being deemed to have been in excess of the Maximum Amount, as hereinafter defined, or if any transaction contemplated hereby would otherwise be usurious under any Applicable Usury Laws, then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the provisions of this Section 11 shall govern and control; (ii) the aggregate of all interest under Applicable Usury Laws that is contracted for, charged, taken, reserved or received under this Note, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount, and any excess shall either be refunded to Maker or applied in reduction of principal, if permitted by California law, in the sole discretion of Payee; (iii) neither Maker nor any other person or entity shall be obligated to pay the amount of such interest to the extent it is in excess of the Maximum Amount; (iv) any interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and canceled automatically to the extent of such excess; and (v) the effective rate of interest on the Loan or any Additional Advance shall be IPSO FACTO reduced to the Highest Lawful Rate (defined below), and the provision of this Note shall be deemed reformed, without the necessity of the execution of any new document, so as to comply with all Applicable Usury Laws. All sums paid, or agreed to be paid, to Payee for the use, forbearance, or the detention of the indebtedness of

Maker to Payee evidenced by this Note shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this Note so that the actual rate of interest does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. As used herein, the term "Maximum Amount" means the maximum non-usurious amount of interest which may be lawfully contracted for, charged, reserved, taken or received by Payee in connection with the indebtedness evidenced by this Note under all applicable Usury Laws.

(b) If at any time interest on the Loan, together with any fees and additional amounts payable hereunder or under any other agreements or instruments that are deemed to constitute interest under Applicable Usury Laws (the "Additional Interest"), exceeds the Highest Lawful Rate, then the amount of interest to accrue pursuant to this Note shall be limited, notwithstanding anything to the contrary in this Note, or any other agreement or instrument, to the amount of interest that would accrue at the Highest Lawful Rate; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the interest rate shall not reduce the interest to accrue pursuant to this Note below the Highest Lawful Rate until the aggregate amount of interest actually accrued pursuant to this Note, together with all Additional Interest, equals the amount of interest which would have accrued if the Highest Lawful Rate had at all times been in effect and such Additional Interest, if any, had been paid in full.

For purposes of this Note, the term "Highest Lawful Rate" means the maximum rate of interest and other charges (if any such maximum exists) for the forbearance of the payment of monies, if any that may be charged, contracted for, reserved, taken or received under all Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

12. DISCONTINUANCE OF NON-EMPLOYEE DIRECTOR SERVICE. If Maker resigns, is not nominated to serve, fails to be elected to serve, or otherwise discontinues service as a non-employee member of Payee's Board of Directors for any reason, other than in the case of the death of Maker or in connection with a Change in Control, Payee shall not have the right to accelerate the Maturity Date; PROVIDED, HOWEVER, that if prior to the effective date of such discontinuance of service a majority of the non-employee members of Payee's Board of Directors, which majority can include Maker, vote to accelerate the Maturity Date, then the entire balance of unpaid principal and accrued Interest thereon shall be due and payable by Maker as of the effective date of such discontinuance of service.

13. CHANGE IN CONTROL. In the event that there occurs a Change in Control, as defined in the Loan Agreement, with respect to the ownership of Payee, the terms and conditions of this Note, the Loan Agreement, the Pledge Agreement and the other Loan Documents, shall be binding upon Payee's successor-in-interest.

14. PUT RIGHT. As provided in the Loan Agreement, upon the occurrence of certain events, Maker shall have the right to require Payee to acquire the Pledged Shares of Payee owned by Maker that are subject to the Pledge Agreement in complete satisfaction of Maker's obligations under the Loan Documents.

15. CANCELLATION OF PRIOR NOTES. This Note shall replace and supersede entirely all prior promissory notes issued by Maker in favor of Payee in connection with the acquisition by Maker of shares of common stock of Payee pursuant to the Stock Options. Upon the execution and delivery of this Note, Payee shall mark all such prior promissory notes "Canceled" and deliver such canceled notes to Maker.

16. CAPITALIZED TERMS. Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

IN WITNESS WHEREOF, Maker has caused this Note to be executed as of the date first above written.

MAKER:

/s/ SAM YELLEN

SAM YELLEN

LTC PROPERTIES, INC.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

COMPANY	STATE OF ORGANIZATION
Education Property Investors, Inc.	Nevada
Florida-LTC, Inc.	Nevada
Illinois-LTC, Inc.	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

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 19, 2001 (except Note 12, as to which the date is February 1, 2001) 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, 2000.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 16, 2001

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 and government payment), 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 unavailability and increased cost of such insurance could have a material adverse effect on the ability of the lessees and operators, including their ability 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.

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 as Congress attempts 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 & 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 2000, Standard & Poor's first quarter analysis noted that skilled nursing home operators that become stabilized, despite the current turbulence, have intriguing longer-term prospects. The growing popularity of long-term care insurance and an aging population, should add to demand for nursing home services. While the Balance Budget Refinement Act and the Benefits Improvement and Protection Act of 2000 contain provisions to mitigated to a certain extent, the effects of the Balanced Budget Act, these changes may be insufficient to address the negative impact of the prospective payment system on some skilled nursing facilities.

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 department 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 stare licensing and federal certification criteria 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, and may receive sanctions for noncompliance. Depending on the nature of such deficiencies, remedies can be routine or costly, and sanctions can be modest or severe, up to revocation of a facility's license or certification or closure of a facility. 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. 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, 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, 2000, Sun Healthcare Group, Inc. ("Sun") operated 34 facilities with 3,874 beds/units representing approximately 12% ($100.9 million) of the Company's adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the investment in REMIC certificates). During 1999, Sun filed for reorganization under Chapter 11 of the Bankruptcy Code. The facilities operated by Sun at December 31, 2000 consisted of approximately $62.2 million of direct investments to Sun and approximately $38.7 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.

Alterra Healthcare Corporation ("Alterra") and Assisted Living Concepts, Inc. ("ALC") each operate facilities representing approximately 10% of the Company's adjusted gross real estate investment portfolio. Alterra operates 35 assisted living facilities with 1,416 units representing $84.2 million of the Company's adjusted gross real estate investment portfolio. ALC operates 37 assisted living facilities with 1,434 units representing $88.1 million of the Company's adjusted gross real estate investment portfolio.

ALC, Alterra and Sun are publicly traded companies, and as such are 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 ALC, Alterra, 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.

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.

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

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 2000 and intend to limit our investment activity in 2001.

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, 2000, we had total debt outstanding of approximately $262,559,000 including:

- approximately $118,000,000 outstanding under our Senior Secured Credit Facility with a maturity date of October 2, 2004 and a current interest rate of LIBOR plus 2.50%;

- $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%;

- $16,577,000 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%;

- $103,341,000 aggregate principal amount of mortgage loans with various maturities ranging from 2002 through 2009 and a weighted average interest rate of 10.2%.

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, 2000, we had $118,000,000 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 LTC HEALTHCARE, INC..

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

- Wendy L. Simpson, who is currently our Vice Chairman and Chief Financial Officer serves as Executive Vice President and Chief Financial Officer with LTC Healthcare; and

- James J. Pieczynski, who is currently our Chief Strategic Planning Officer and a member of our Board of Directors, serves in the same positions with LTC Healthcare; and

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

- Julia L. Kopta, who is currently our Executive Vice President and General Counsel serves as Senior Vice President and General Counsel with LTC Healthcare; and

- Alex J. Chavez, who is currently our Senior Vice President and Treasurer, serves as Vice President and Treasurer 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 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 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.

In addition, in May 2000 the Company adopted a Rights Plan to protect stockholders from coercive or otherwise unfair takeover tactics. In general terms, the plan works by imposing significant penalties upon any person or group of persons which acquires 15% or more of our common stock without the approval of our Board of Directors.

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 Mr. Dimitriadis, Ms. Simpson, Mr. Pieczynski, Mr. Ishikawa, Ms. Kopta and Mr. Chavez. 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.