

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20459

FORM 10-Q

(Mark One)

x

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

For the quarterly period ended March 31, 2004

OR

o

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

For the Transition period from _____ to _____

Commission file number 1-11314

LTC PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

71-0720518
(I.R.S. Employer
Identification No.)

22917 Pacific Coast Highway, Suite 350
Malibu, California 90265
(Address of principal executive offices)

(310) 455-6010
(Registrant's telephone number, including area code)

Indicate by check mark whether Registrant (1) has filed all reports 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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

Shares of Registrant's common stock, \$.01 par value, outstanding April 30, 2004 – 19,664,614

LTC PROPERTIES, INC.

FORM 10-Q

March 31, 2004

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LTC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share amounts)

	<u>March 31, 2004</u>	<u>December 31, 2003</u>
	<u>(unaudited)</u>	
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 2004 - \$76,390; 2003 - \$73,299	\$ 357,195	\$ 356,830
Land	25,608	25,308
Properties held for sale, net of accumulated depreciation and amortization: 2004 - \$0; 2003 - \$77	—	487
Mortgage loans receivable, net of allowance for doubtful accounts: 2004 and 2003 - \$1,280	74,752	71,465
REMIC Certificates	63,084	61,662
Real estate investments, net	520,639	515,752
Other Assets:		
Cash and cash equivalents	3,748	17,919
Debt issue costs, net	1,492	1,496
Interest receivable	3,159	3,809
Prepaid expenses and other assets	4,855	4,495
Notes receivable	19,543	19,172
Marketable debt securities	—	12,281
Total Assets	<u>\$ 553,436</u>	<u>\$ 574,924</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank borrowings	\$ 12,000	\$ —
Mortgage loans payable	116,998	123,314
Bonds payable and capital lease obligations	14,254	14,686
Senior mortgage participation payable	18,046	18,250
Accrued interest	881	952
Accrued expenses and other liabilities	2,313	2,514
Liability for Series A 9.5% Preferred Stock redemption	—	30,642
Distributions payable	1,991	2,383
Total Liabilities	166,483	192,741
Minority interest	10,831	13,401
Stockholders' equity:		
Preferred stock \$0.01 par value: 15,000 shares authorized; shares issued and outstanding: 2004 - 8,200; 2003 - 8,026	193,500	189,163
Common stock: \$0.01 par value; 35,000 shares authorized; shares issued and outstanding: 2004 - 18,018; 2003 - 17,807	180	178
Capital in excess of par value	255,515	250,055
Cumulative net income	284,849	274,948
Other	480	(638)
Cumulative distributions	(358,402)	(344,924)
Total Stockholders' Equity	<u>376,122</u>	<u>368,782</u>
Total Liabilities and Stockholders' Equity	<u>\$ 553,436</u>	<u>\$ 574,924</u>

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
Revenues:		
Rental income	\$ 11,566	\$ 9,786
Interest income from mortgage loans and notes receivable	2,138	2,507
Interest income from REMIC Certificates	2,391	2,786
Interest and other income	865	781
Total revenues	<u>16,960</u>	<u>15,860</u>
Expenses:		
Interest expense	3,313	5,115
Depreciation and amortization	3,175	3,063
Impairment charge	—	1,260
Legal expenses	18	364
Operating and other expenses	1,257	1,824
Total expenses	<u>7,763</u>	<u>11,626</u>
Income before minority interest	9,197	4,234
Minority interest	(283)	(321)
Income from continuing operations	8,914	3,913
Discontinued operations:		
Income (loss) from discontinued operations	12	(29)
Gain on sale of assets, net	975	—
Net income (loss) from discontinued operations	987	(29)
Net income	<u>9,901</u>	<u>3,884</u>
Preferred stock redemption charge	(4,029)	—
Preferred stock dividends	(4,946)	(3,761)
Net income available to common stockholders	<u>\$ 926</u>	<u>\$ 123</u>
Net Income per Common Share from Continuing Operations net of Preferred Stock Dividends:		
Basic	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Net Income per Common Share from Discontinued Operations:		
Basic	<u>\$ 0.05</u>	<u>\$ 0.00</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.00</u>
Net Income per Common Share Available to Common Stockholders:		
Basic	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Comprehensive income		
Net income available to common stockholders	\$ 926	\$ 123
Reclassification adjustment	—	1,303
Total comprehensive income	<u>\$ 926</u>	<u>\$ 1,426</u>

See accompanying notes.

LTC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2004	2003
OPERATING ACTIVITIES:		
Net income	\$ 9,901	\$ 3,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,179	3,232
Impairment charge	—	1,260
Straight-line rental income	(281)	—
Other non-cash charges	719	977
Gain on sale of real estate investments, net	(975)	—
Decrease in accrued interest	(71)	(176)
Net change in other assets and liabilities	20	(1,753)
Net cash provided by operating activities	<u>12,492</u>	<u>7,424</u>
INVESTING ACTIVITIES:		
Investment in real estate mortgages	(3,661)	—
Investment in REMIC Certificates	(3,898)	—
Investment in real estate properties and capital improvements, net	(3,461)	(86)
Proceeds from sale of real estate investments and other assets, net	208	220
Principal payments on mortgage loans receivable	2,201	347
Redemption of investment in senior secured notes	12,281	—
Other	(344)	68
Net cash provided by investing activities	<u>3,326</u>	<u>549</u>
FINANCING ACTIVITIES:		
Borrowings under the line of credit	33,000	—
Repayments of bank borrowings under the line of credit	(21,000)	—
Net proceeds from issuance of preferred stock	98,578	—
Mortgage principal payments on the senior mortgage participation	(204)	(212)
Principal payments on mortgage loans payable and capital lease obligations	(5,498)	(1,018)
Redemption of preferred stock	(126,305)	—
Repurchase of common and preferred stock	—	(2,093)
Distributions paid	(9,841)	(4,759)
Other	1,281	996
Net cash used in financing activities	<u>(29,989)</u>	<u>(7,086)</u>
(Decrease) increase in cash and cash equivalents	(14,171)	887
Cash and cash equivalents, beginning of period	17,919	8,001
Cash and cash equivalents, end of period	<u>\$ 3,748</u>	<u>\$ 8,888</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 3,262	\$ 4,676
Non-cash investing and financing transactions:		
Conversion of limited partnership units into common stock	\$ 2,575	—

See accompanying notes.

LTC PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

LTC Properties, Inc., a Maryland corporation, is a real estate investment trust (or REIT) that invests primarily in long term care properties through mortgage loans, property lease transactions and other investments.

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/or its subsidiaries.

We have prepared consolidated financial statements included herein without audit (except for the balance sheet at December 31, 2003 which is audited) and in the opinion of management have included all adjustments necessary for a fair presentation of the results of operations for the three months ended March 31, 2004 and 2003 pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying consolidated financial statements include the accounts of our company, its wholly-owned subsidiaries and controlled partnerships. All significant intercompany accounts and transactions have been eliminated in consolidation. Control over those partnerships is based on the provisions of the partnership agreements that provide us with a controlling financial interest in the partnerships. Under the terms of the partnership agreements, our company, as general partner, is responsible for the management of the partnerships’ assets, business and affairs. Our rights and duties in management of the partnerships include making all operating decisions, setting the capital budgets, executing all contracts, making all employment decisions, and the purchase and disposition of assets, among others. The general partner is responsible for the ongoing, major, and central operations of the partnership and makes all management decisions. In addition, the general partner assumes the risk for all operating losses, capital losses, and is entitled to substantially all capital gains (appreciation).

The limited partners have virtually no rights and are precluded from taking part in the operation, management or control of the partnership. The limited partners are also precluded from transferring their partnership interests without the express permission of the general partner. However, we can transfer our interest without consultation or permission of the limited partners.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, we believe that the disclosures in the accompanying financial statements are adequate to make the information presented not misleading.

Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation and as required by Statement of Financial Accounting Standards (or SFAS) No. 144 “*Accounting for the Impairment or Disposal of Long-Lived Assets*.” The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results for a full year.

No provision has been made for federal or state income taxes. Our company qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. As such, we are not taxed on our income that is distributed to our stockholders.

2. Real Estate Investments

Owned Properties. At March 31, 2004, we owned 53 skilled nursing properties with a total of 6,095 beds, 88 assisted living properties with 4,182 units and one school located in 23 states.

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

During the three months ended March 31, 2004 we sold one skilled nursing property in Georgia for \$1,500,000 resulting in a gain on sale of \$975,000 and generated net proceeds of \$208,000 after a \$1,250,000 pay down of a mortgage loan secured by the property. Also during the first quarter of 2004, we purchased a 120 bed skilled nursing property in Texas for a total of \$3,371,000 in cash. The property is leased to a third party operator under a 20 year lease beginning at an annual lease payment of \$363,000 and increasing 2% annually.

Subsequent to March 31, 2004, we sold two closed skilled nursing properties for a total of \$262,000 resulting in a total loss on the sales of \$256,000. We received \$5,000 in combined net proceeds from the sales after the \$236,000 payoff of a mortgage loan securing one of the properties sold. Also subsequent to March 31, 2004, we acquired for \$2,134,000 from a REMIC pool we originated a 165 bed skilled nursing property in Texas which had been foreclosed on by the REMIC. The property is leased to a third party operator under a two year lease with a two year option to extend. The annual lease payment is \$180,000 during the initial two year term and \$240,000 during the extended two year term. In April 2004 we converted one mortgage loan on a 194 bed skilled nursing property in Arizona to an owned property through a deed in lieu foreclosure transaction plus \$50,000. This property was added to a master lease with a third party operator, increasing the annual rent due under the master lease by \$372,000.

In accordance with SFAS No. 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets"* properties held for sale on the balance sheet includes only those properties available for immediate sale in their present condition and for which management believes that it is probable that a sale of the property will be completed within one year. Properties held for sale are carried at the lower of cost or fair value less estimated selling costs. No depreciation expense is recognized on properties held for sale once they have been classified as such. In addition, the operating results of real estate assets designated as held for sale and all gains and losses from real estate sold are included in discontinued operations in the consolidated statement of operations.

Set forth in the table below are the components of the net income (loss) from discontinued operations for the three months ended March 31, 2004 and 2003 (*unaudited, in thousands*):

	Three Months Ended March 31,	
	2004	2003
Rental income	\$ 16	\$ 179
Interest and other income	—	51
Interest expense	—	(77)
Depreciation amortization	(4)	(169)
Legal expenses	—	(4)
Operating and other expenses	—	(9)
Income (loss) from discontinued operations	\$ 12	\$ (29)

Mortgage Loans. At March 31, 2004 we had 38 mortgage loans secured by first mortgages on 31 skilled nursing properties with a total of 3,875 beds and eight assisted living properties with a total of 369 units located in 19 states. At March 31, 2004, the mortgage loans had interest rates ranging from 9.5% to 12.7% and maturities ranging from 2004 to 2018. In addition, the loans contain certain guarantees, provide for certain facility fees and generally have 25-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

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

During the first quarter 2004, we acquired a mortgage loan from a REMIC pool we originated for \$3,661,000, which represented the outstanding loan balance. In April 2004, this loan was converted into an owned property through a deed in lieu foreclosure transaction plus \$50,000. In April 2004, we funded a new loan on a 156 bed skilled nursing property in Georgia in the amount of \$1,868,000. Also subsequent to March 31, 2004, we acquired a mortgage loan from a REMIC pool we originated for \$694,000 in cash which represented the outstanding loan balance owed to the REMIC pool under the mortgage.

REMIC Certificates. As of March 31, 2004 we had \$63,084,000 of REMIC Certificates at net book value, which includes the \$3,873,000 of REMIC certificates we acquired during the first quarter. Of the \$63,084,000, \$56,401,000 of our net book value represents face value certificated interests in the principal balances of the underlying mortgage pools which at March 31, 2004 had total unpaid principal balance of \$201,265,000. Additionally, there are also \$137,671,000 senior certificates outstanding that have priority over the \$56,401,000 of face value certificates we retained.

Our investment in the \$56,401,000 of face value certificates is backed by the difference between the \$201,265,000 in mortgage pool principal and the \$137,671,000 of senior certificates outstanding, or \$63,594,000, resulting in a collateral cushion over our net book value of \$7,193,000.

The remaining \$6,683,000 of our REMIC certificates are I/O certificates that represent the present value of the expected cash flows resulting from the mortgage pools that result from the spread in interest that arises between what the underlying mortgage loans are paying in interest versus the interest being paid on the principal based certificates. These cash flows have been discounted at a rate of 35% to arrive at the estimated fair market value of the I/O certificates.

Interest only certificates and certificates with an investment rating of "BB" or higher are classified as available-for-sale and unrated certificates and certificates with an investment rating of "B" or lower are classified as held-to-maturity. As of March 31, 2004, available-for-sale certificates were recorded at their fair value of approximately \$12,778,000.

At March 31, 2004, held-to-maturity certificates had a book value of \$50,307,000 and an estimated fair value of \$39,406,000. As of March 31, 2004, the effective yield on the available-for-sale certificates and the held-to-maturity certificates, based on expected future cash flows discounted to give effect to potential risks associated with prepayments and unanticipated credit losses, was 34.80% and 11.92%, respectively.

3. Notes Receivable

At March 31, 2004, we held a Secured Term Note (or Secured Note) issued by Centers for Long Term Care (or CLC), a wholly owned subsidiary of Center Healthcare, a private company that purchased CLC according to an Agreement and Plan of Merger dated October 6, 2003 as discussed in *Note 8.* of our Annual Report filed on Form 10-K for the year ended December 31, 2003. The face value of the Secured Note is \$8,867,000 which represents the balance due on a previous secured line of credit including unpaid interest and rents due and unpaid through April 30, 2003. The Secured Note is due October 1, 2008 and provides for interest of 8.0% compounded monthly and accruing to the principal balance from October 1, 2003 through September 30, 2004 and 8.0% compounded monthly payable in cash quarterly in arrears beginning October 2004. The book value of the note was \$4,046,000 at March 31, 2004. During 2004 and 2003 we did not record any interest on this note.

At March 31, 2004, we held a Promissory Note (or Note) issued by Healthcare Holdings, Inc. (or HHI), a wholly owned subsidiary of CLC. The face value of the Note is \$9,150,000. The original Note was received in December 2001 in exchange for our right to receive 1,238,076 shares of Assisted Living Concepts, Inc. (or ALC) common stock distributed concurrently with ALC's emergence from bankruptcy on December 31, 2001. The Note is for a term of five years and bears interest at 5.0%, compounded

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

annually and accruing to the principal balance plus interest at 2.0% on the principal payable in cash annually. The Note is a full recourse obligation of HHI and is secured by all of the assets owned now or in the future by HHI and contains a provision for acceleration should there be a change of control of HHI or CLC. We agreed to waive this provision to allow CLC to enter into the Agreement and Plan of Merger. At March 31, 2004, HHI owned 1,452,794 shares of ALC common stock with a fair market value based on the closing price of ALC stock at March 31, 2004 of \$11,986,000. At March 31, 2004, the book value of the \$9,150,000 Note was \$5,245,000 which represented the fair market value of the 1,238,076 shares acquired by HHI on December 31, 2001 including a \$2,150,000 increase in the Note during 2003. In accordance with the terms of the Note, we received \$196,000 from HHI in March 2004 representing the 2.0% interest on the outstanding principal balance at December 31, 2003 which is payable in cash in arrears. This amount was recognized as interest income in the first quarter of 2004. In the first quarter of 2003, we received \$140,000 from HHI representing the 2.0% interest which was applied to the line of credit CLC had outstanding with us at that time.

4. Debt Obligations

At March 31, 2004, \$12,000,000 was outstanding under our Unsecured Revolving Credit. During the three months ended March 31, 2004, pricing under the Unsecured Revolving Credit ranged between LIBOR plus 2.75% and LIBOR plus 3.25%. At March 31, 2004, the interest rate applicable to borrowings under the Unsecured Revolving Credit would have been approximately 4.0%.

5. Senior Mortgage Participation Payable

In 2002, we completed a loan participation transaction whereby we issued a \$30,000,000 senior participating interest in 22 of our first mortgage loans that had a total unpaid principal balance of \$58,627,000 (the "Participation Loan Pool") to a private bank. The Participation Loan Pool had a weighted average interest rate of 11.6% and a weighted average scheduled term to maturity of 77 months. The senior participation balance is secured by the entire Participation Loan Pool.

The senior participation receives interest at a rate of 9.25% per annum, payable monthly in arrears, on the then outstanding principal balance of the senior participation. In addition, the senior participation receives all mortgage principal collected on the Participation Loan Pool until the senior participation balance has been reduced to zero. We retain interest received on the Participation Loan Pool in excess of the 9.25% paid to the senior participation. The ultimate extinguishments of the senior participation are tied to the underlying maturities of loans in the Participation Loan Pool, which range from 12 to 173 months. We have accounted for the participation transaction as a secured borrowing under SFAS No. 140 "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*."

During the three months ended March 31, 2004 and 2003, the senior participation received principal payments of \$204,000 and \$212,000, respectively. At March 31, 2004, \$18,046,000 was outstanding under the senior mortgage participation.

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

6. Stockholders' Equity

During the first quarter of 2004 we redeemed all 1,838,520 outstanding shares of Series A preferred stock and all 1,988,000 outstanding shares of Series B preferred stock. Accordingly we recognized the \$4,029,000 of original issue costs related to the Series A and Series B preferred stock as a preferred stock redemption charge in the three months ended March 31, 2004. In February 2004, we issued 4,000,000 shares of Series F Cumulative Redeemable Preferred Stock (or Series F preferred stock) in a registered direct placement generating net cash proceeds of approximately \$98,578,000. The cash proceeds and cash on hand were used to redeem all of the outstanding shares of our Series A preferred stock and Series B preferred stock. The Series F preferred stock has a dividend rate of 8.0% and a liquidation value of \$25.00 per share. Dividends are cumulative from the date of original issue and are payable quarterly to stockholders of record on the first day of each quarter. The liquidation preference of the Series F preferred stock is *pari passu* with our other series of preferred stock. The Series F preferred stock has no voting rights, no stated maturity, nor is it subject to any sinking fund or mandatory redemption. On or after February 23, 2009, we may, at our option, redeem Series F preferred stock, in whole or from time to time in part, for \$25.00 per share in cash plus any accrued and unpaid dividends to the date of redemption.

During the three months ended March 31, 2004, we declared and paid the following cash dividends (*unaudited, in thousands*):

	Declared	Paid
Preferred Stock		
Series A	\$1,019	\$1,860
Series B	1,118	1,491
Series C	818	818
Series E	1,169	1,169
Series F	822(1)	—
	4,946	5,338
Common Stock	4,503(2)	4,503
Total	\$9,449(3)	\$9,841(3)

(1) Represents 22 days of accrued dividends.

(2) Represents \$0.25 per share

(3) The difference between declared and paid is the change in distributions payable on the balance sheet at March 31, 2004 and December 31, 2003.

Subsequent to March 31, 2004, we declared a cash dividend of \$0.275 per share on our common stock payable on June 30, 2004, to stockholders of record on June 18, 2004.

During the three months ended March 31, 2004, a total of 35,871 stock options were exercised at a total option value of approximately \$194,000 and a total market value as of the dates of exercise of approximately \$557,000. Subsequent to March 31, 2004, a total of 60,800 stock options were exercised at a total option value of approximately \$337,000 and a total market value as of the dates of exercise of approximately \$976,000.

In January 2004, two of our limited partners exercised their conversion rights and exchanged their interest in five of our limited partnerships. In accordance with the partnership agreements, at our option, we issued 175,392 shares of our common stock. Since the market value of the common stock issued was greater than

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

the book value of the partnership interests received, we recognized a \$295,000 increase in the basis of the properties underlying the limited partnership interests acquired.

Other equity consists of the following (*in thousands*):

	March 31, 2004	December 31, 2003
	(unaudited)	
Notes receivable from stockholders	\$ (1,674)	\$ (2,792)
Accumulated comprehensive income	2,154	2,154
Total Other Equity	\$ 480	\$ (638)

During the three months ended March 31, 2004, three notes receivable from stockholders with a combined balance of \$940,000 were paid in full. Two of these notes were from current members of our board of directors.

On March 23, 2004, we filed a Form S-3 “shelf” registration which became effective April 5, 2004 and provides us with the capacity to offer up to \$200,000,000 in our debt and/or equity securities.

In our Proxy Statement for our annual meeting to be held on May 18, 2004, we have requested that our stockholders approve the following equity related proposals:

1. an increase in the number of authorized common stock from 35,000,000 to 45,000,000 shares;
2. an increase in the number of authorized preferred stock from 15,000,000 to 25,000,000 shares;
3. approval of The 2004 Stock Option Plan which would provide for the granting of options on 500,000 shares of common stock; and
4. approval of The 2004 Restricted Stock Plan which would provide for the granting of up to 100,000 shares of restricted common stock.

There can be no assurances given that all or any of these proposals will be approved by our stockholders.

In April 2004, we received conversion notification on 795,000 shares of our \$25.00 liquidation value, 8.5% Series E Convertible Preferred Stock. These shares converted into shares of common stock at a conversion price of \$12.50 per common share. Accordingly we issued 1,590,000 shares of common stock.

Prior to January 1, 2003, we accounted for stock option grants in accordance with APB Opinion No. 25, “*Accounting for Stock Issued to Employees*” (or APB 25) and related Interpretations. Historically, we granted stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. Under APB 25, because the exercise price of our employee stock options equaled the market price of the underlying stock on the date of grant, no compensation expense was recognized. Effective January 1, 2003, we adopted SFAS No. 148, “*Accounting for Stock-Based Compensation – Transition and Disclosure*,” on a prospective basis for all employee awards granted, modified or settled on or after January 1, 2003. We did not grant any options during the three months ended March 31, 2004.

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

The following table illustrates the effect on net income and earnings per share as if the fair value method had been applied to all outstanding and unvested awards in each period (unaudited, in thousands):

	Three Months Ended March 31,	
	2004	2003
Net income available to common stockholders, as reported	\$ 926	\$ 123
Add: Stock-based compensation expense in the period	—	—
Deduct: Total stock-based compensation expense determined under fair value method for all awards	(16)	(34)
Pro forma net income available to common stockholders	<u>\$ 910</u>	<u>\$ 89</u>
Net income per common share available to common stockholders:		
Basic – as reported	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Basic – pro forma	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Diluted – as reported	<u>\$ 0.05</u>	<u>\$ 0.01</u>
Diluted – pro forma	<u>\$ 0.05</u>	<u>\$ 0.01</u>

7. Major Operators

There are two companies that lease properties directly from us that each represent between 10% and 20% of our total assets. One of these companies is publicly traded and thus files quarterly financial information with the Securities and Exchange Commission and the other is privately owned and thus no financial information is available. The following table summarizes our publicly traded major lessee's assets, stockholders' equity, annual revenue and net loss from continuing operations as of or for the twelve months ended December 31, 2003 per the lessee's public filings:

	Assisted Living Concepts, Inc.
	(in thousands)
Current assets	\$ 15,327
Non-current assets	188,887
Current liabilities	27,056
Non-current liabilities	147,129
Stockholders' equity	30,029
Gross revenue	168,012
Operating expenses	150,117
Loss from continuing operations	(337)
Net income	157
Cash provided by operations	13,090
Cash provided by investing activities	5,318
Cash used in financing activities	(23,630)

Assisted Living Concepts, Inc. (or ALC) leases 37 assisted living properties with a total of 1,434 units we own representing approximately 13.0%, or \$71,937,000, of our total assets at March 31, 2004.

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

In January 2004, we received \$12,374,000 in cash from ALC as full redemption of ALC Senior and Junior Notes we held. The notes were redeemed at face value plus accrued and unpaid interest as of the redemption date. See *Note 3. Notes Receivable* for a discussion of a note we have with HHI which is secured by 1,452,794 shares of ALC's common stock owned by HHI.

Alterra Healthcare Corporation (or Alterra) leases 35 assisted living properties with a total of 1,416 units we own representing approximately 12.8%, or \$70,752,000, of our total assets at March 31, 2004. Alterra announced on January 22, 2003, that it had filed a voluntary petition with the U.S. Bankruptcy Court for the District of Delaware to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Alterra emerged from bankruptcy in December 2003 as a non-publicly traded company. All of our leases with Alterra were assumed, without change, by the reorganized Alterra.

ALC is a publicly traded company, and as such is subject to the filing requirements of the Securities and Exchange Commission. Our financial position and our ability to make distributions may be adversely affected by financial difficulties experienced by ALC and Alterra or any of our other lessees and borrowers, including additional bankruptcies, inability to emerge from bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us or our borrowers when it expires.

8. Earnings per Share

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

	Three Months Ended March 31,	
	2004	2003
Net income	\$ 9,901	\$ 3,884
Preferred stock redemption charge	(4,029)	—
Preferred stock dividends	(4,946)	(3,761)
Net income for basic net income per share	926	123
Effect of dilutive securities:		
Other dilutive securities	—	—
Net income for diluted net income per share	\$ 926	\$ 123
Shares for basic net income per share	17,986	17,965
Effect of dilutive securities:		
Stock options	172	73
Shares for diluted net income per share	18,158	18,038
Basic net income per share	\$ 0.05	\$ 0.01
Diluted net income per share	\$ 0.05	\$ 0.01

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

Operating Results

Three months ended March 31, 2004 compared to three months ended March 31, 2003

Revenues for the three months ended March 31, 2004 increased to \$17.0 million from \$15.9 million for the same period in 2003. Rental income for the three months ended March 31, 2004 increased \$1.8 million primarily as a result of the effect of receiving rent for the entire quarter of 2004 on properties formerly leased to Sun Healthcare Group, Inc. (or Sun) as compared to receiving one month of rent from Sun in the first quarter of 2003 (\$0.2 million), receiving rent in 2004 on properties formerly leased to Centers for Long Term Care (or CLC) which were on non-accrual in the first quarter of 2003 (\$1.0 million), the receipt of rent from properties acquired in 2003 and 2004 (\$0.1 million), an increase due to straight-line rental income (\$0.3 million) and new leases and rental increases provided for in existing lease agreements (\$0.2 million). Same store rental income, properties owned for the three months ended March 31, 2004 and the three months ended March 31, 2003 and excluding straight-line rental income, increased \$1.4 million due to the effect of receiving rent for the entire quarter of 2004 on properties formerly leased to Sun and CLC as noted above and rental increases provided for in existing lease agreements. Interest income from mortgage loans and notes receivable decreased \$0.4 million from prior year due to the pay off of two loans partially offset by the receipt of interest from one new loan. Interest income from REMIC Certificates for the three months ended March 31, 2004 decreased \$0.4 million compared to the same period of 2003 due to the amortization of the related asset and the early payoff of certain mortgage loans underlying our investment in REMIC Certificates. Interest and other income for the three months ended March 31, 2004 was comparable to prior year.

Interest expense decreased by \$1.8 million to \$3.3 million for the three months ended March 31, 2004 from \$5.1 million during the same period in 2003, due to a decrease in average borrowings outstanding during the period and a decrease in interest rates on our Unsecured Revolving Credit compared to the Secured Revolving Credit we had in the first quarter of 2003.

Depreciation and amortization expense for the first quarter of 2004 increased \$0.1 million from the first quarter of 2003 due to acquisitions.

We recorded a \$1.3 million impairment charge during the first quarter of 2003. No impairment charge was taken in the first quarter of 2004.

Legal expenses were \$0.3 million lower in the first quarter of 2004 due to lower legal costs for general litigation defense. Operating and other expenses decreased \$0.6 million due to lower property tax and other payments made in 2003 on behalf of certain operators and for closed and unsold properties.

During the three months ended March 31, 2004, net income from discontinued operations was \$1.0 million. During the first quarter of 2004, we sold one skilled nursing property in Georgia resulting in a gain on sale of \$1.0 million. During the first quarter of 2003, we reported a loss on discontinued operations of \$0.03 million related to properties that were subsequently sold. This reclassification was made in accordance with SFAS No. 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*" which requires that the financial results of properties meeting certain criteria be reported on a separate line item called "Discontinued Operations".

During the first quarter of 2004, we redeemed all of our outstanding Series A and Series B preferred stock. Accordingly, we recognized a \$4.0 million preferred stock redemption charge related to the original issue costs of the stock redeemed. In addition, preferred stock dividends were \$1.2 million higher in the first quarter of 2004 as compared to the prior year due to the issuance of Series E and Series F preferred stock and the timing of the Series A and Series B preferred stock redemption.

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Net income available to common stockholders increased to \$0.9 million for the three months ended March 31, 2004 from \$0.1 million for the same period in 2003 primarily due to the increases in revenue, the impairment charge in 2003, lower interest expense in 2004 and gain on sale of assets in 2004 partially offset by a \$4.0 million preferred stock redemption charge and a \$1.2 million increase in preferred stock dividends as discussed above.

Liquidity and Capital Resources

At March 31, 2004 our real estate investment portfolio (before accumulated depreciation and amortization) consisted of \$459.2 million invested primarily in owned long-term care properties, mortgage loans of approximately \$74.8 million (net of a \$1.3 million reserve) and subordinated REMIC Certificates of approximately \$63.1 million with a weighted average effective yield of 14.3%. At March 31, 2004 the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC Certificates (all held by outside third parties) was \$137.7 million and 6.9%. Our portfolio consists of direct investments (properties that we either own or on which we hold promissory notes secured by first mortgages) in 84 skilled nursing properties, 96 assisted living properties and one school in 30 states.

For the three months ended March 31, 2004, we had net cash provided by operating activities of \$12.5 million. During the first quarter of 2004 we acquired a mortgage loan from a REMIC pool we originated for \$3.7 million, which represented the outstanding loan balance and purchased \$4.0 million face value REMIC Certificates in a pool we originated from a third party for \$3.9 million in cash including accrued interest. In March 2004 we acquired 120 bed skilled nursing property in Texas for a total of \$3.4 million in cash. The property is leased to a third party operator under a 20 year lease beginning at an annual lease payment of \$0.4 million and increasing 2% annually. Additionally, we invested \$0.1 million in building improvements. During the quarter we sold one skilled nursing property in Georgia for \$1.5 million resulting in a gain on sale of \$1.0 million and net proceeds of \$0.2 million after a \$1.3 million pay down of a mortgage loan secured by the property. We also received \$2.2 million in principal payments on mortgage loans receivable and \$12.3 million from Assisted Living Concepts, Inc. (or ALC) as full redemption of the ALC Senior and Junior Notes we held as investments. The notes were redeemed at face value plus accrued and unpaid interest as of the redemption date and the proceeds were used to reduce amounts outstanding under our Unsecured Revolving Credit.

During the three months ended March 31, 2004, we borrowed \$33.0 million and repaid \$21.0 million under our Unsecured Revolving Credit. In January 2004, we issued 4.0 million shares of 8.0% Series F Cumulative Redeemable Preferred Stock (see *Note 6. Stockholders' Equity*) which generated net cash proceeds of approximately \$98.6 million. The cash proceeds plus cash on hand and borrowings under our Unsecured Revolving Credit were used to redeem all of the outstanding shares of our Series A and Series B preferred stock for \$126.3 million which represented the \$25.00 liquidation price per share plus all accrued and unpaid dividends through the redemption date.

During the three months ended March 31, 2004, \$0.2 million in principal was received by the non-recourse senior mortgage participation holder and we paid \$5.5 million in principal payments on mortgage loans and capital lease obligations including \$4.5 million of mortgage debt repaid prior to maturity. The mortgage repaid was held in a REMIC pool we originated.

During the three months ended March 31, 2004, we declared and paid cash dividends on our Series A, Series B, Series C and Series E preferred stock totaling \$1.9 million (\$0.8 million of which was accrued at year end), \$1.5 million (\$0.4 million of which was accrued at year end), \$0.8 million and \$1.2 million respectively. During the three months ended March 31, 2004, we declared a cash dividend totaling \$0.8 million which represented 22 days of accrued dividends on our new Series F preferred stock. Additionally, we declared and paid cash dividends on our common stock totaling \$4.5 million. Subsequent to March 31, 2004 we declared a \$0.275 dividend per share on our common stock payable on June 30, 2004.

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During the first quarter of 2004, two of our limited partners exercised their conversion rights and exchanged their interest in five of our limited partnerships. In accordance with the partnership agreements, at our option, we issued 175,392 shares of our common stock. Since the market value of the common stock issued was greater than the book value of the partnership interests received, we recognized a \$0.3 million increase in the basis of the properties underlying the limited partnership interests acquired.

Subsequent to March 31, 2004, we sold two closed skilled nursing properties for a total of \$0.3 million resulting in a total loss on the sales of \$0.3 million. Proceeds from the sale were used to payoff a \$0.2 million mortgage loan securing one of the properties sold. We also acquired for \$2.1 million from a REMIC pool we originated a 165 bed skilled nursing property in Texas which had been foreclosed on by the REMIC. The property is leased to a third party operator under a two year lease with a two year option to extend. The annual lease payment is \$0.2 million during the initial two year term. In April 2004 we converted one mortgage loan on a 194 bed skilled nursing property in Arizona to an owned property through a deed in lieu foreclosure transaction plus \$0.1 million. This property was added to a master lease with a third party operator, increasing the annual rent due under the master lease by \$0.4 million. In April 2004, we funded a new loan on a 156 bed skilled nursing property in Georgia in the amount of \$1.9 million. Also subsequent to March 31, 2004, we acquired a mortgage loan from a REMIC pool we originated for \$0.7 million in cash which represented the outstanding loan balance owed to the REMIC pool under the mortgage.

In April 2004, we received conversion notification on 795,000 shares of Series E preferred stock. Accordingly we issued 1,590,000 shares of common stock.

On March 23, 2004, we filed a Form S-3 “shelf” registration statement which became effective April 5, 2004 and provides us with the capacity to offer up to \$200.0 million in our debt and/or equity securities. Our decision to offer any or all securities covered under this registration is contingent on many factors including but not limited to the market for such securities, the general economic and financial market conditions and our performance, financial position and prospects for the use of any funds raised.

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

Our investments, principally our investments in mortgage loans, 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 our costs of financing our operations and the fair market value of our financial assets. We generally made loans that have predetermined increases in interest rates and leases that have agreed upon annual increases. Inasmuch as we may initially fund some of our investments with variable interest rate debt, we are at risk of net interest margin deterioration if medium and long-term rates were to increase.

All but \$4.0 million face value of the REMIC Certificates we hold 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 impairment to any of the underlying mortgages. The returns on our investment in REMIC Certificates are

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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).

We believe that our current cash flow from operations available for distribution or reinvestment, our current borrowing capacity and (based on market conditions) our ability to issue debt and equity securities are sufficient to provide for payment of our operating costs, meet debt obligations, provide funds for distribution to the holders of our preferred stock and pay common dividends at least sufficient to maintain our REIT status and repay borrowings at, or prior to, their maturity.

Critical Accounting Policies

Effective January 1, 2003, we adopted Statement of Financial Accounting Standard (or SFAS) No. 148 "*Accounting for Stock-Based Compensation – Transition and Disclosure*." SFAS No. 148 amends SFAS No. 123 "*Accounting for Stock-Based Compensation*" to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28 "*Interim Financial Reporting*" to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy for stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS No. 148 provides three transition methods for entities that adopt the fair value recognition provisions of SFAS No. 123 for stock-based employee compensation. In addition to the prospective method originally provided under SFAS No. 123, SFAS No. 148 provides for a modified prospective method and a retroactive restatement method. We have adopted the prospective method and therefore will recognize compensation expense related to all employee stock-based awards granted, modified or settled after January 1, 2003.

We use the Black-Scholes model for calculating stock option expense. This model requires management to make certain estimates including stock volatility, discount rate and the termination discount factor. If management incorrectly estimates these variables, the results from operations could be affected. Prior to January 1, 2003, we accounted for stock option grants in accordance with APB Opinion No. 25, "*Accounting for Stock Issued to Employees*" (APB 25) and related Interpretations. Historically, we granted stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. Under APB 25, because the exercise price of our employee stock options equaled the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

As of March 31, 2004, there were 250,000 options outstanding subject to the disclosure requirements of SFAS No. 148. 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 prior years, the weighted average expected life assumption was five years, the weighted average volatility was 0.49 and the weighted average risk free interest rate was 3.80%. At March 31, 2004, the weighted average fair value of the options outstanding was estimated to be \$0.84 per share, the weighted average exercise price of the options was \$5.67 per share and the weighted average remaining vesting life was 1.4 years. See *Note 6. Stockholders' Equity* for further discussion.

For further discussion of our critical accounting policies, see our Annual Report filed on Form 10-K for the year ended December 31, 2003.

Statement Regarding Forward Looking Disclosure

Certain information contained in this report includes forward looking statements, which can be identified by the use of forward looking terminology such as “may,” “will,” “expect,” “should” or comparable terms or negatives thereof. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include (without limitation) the following: the effect of economic and market conditions and changes in interest rates, government policy changes relating to the health care industry including changes in reimbursement levels under the Medicare and Medicaid programs, changes in reimbursement by other third party payors, the financial strength of the operators of our properties as it affects the continuing ability of such operators to meet their obligations to us under the terms of our agreements with our borrowers and operators, the amount and the timing of additional investments, access to capital markets and changes in tax laws and regulations. Other important factors are identified in our Annual Report on Form 10-K for the year ended December 31, 2003, including factors identified under the headings “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Finally, we assume no obligation to update or revise any forward-looking statements or to update the reasons why actual results could differ from those projected in any forward-looking statements.

Item 3. 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.

We do not utilize interest rate swaps, forward or option contracts or foreign currencies or commodities, or other types of derivative financial instruments. The purpose of the following disclosure is to provide a framework to understand our sensitivity to hypothetical changes in interest rates as of March 31, 2004.

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 investments in REMIC Certificates and fixed rate debt. For variable rate debt, such as our Unsecured Revolving Credit, changes in interest rates generally do not impact the fair value, but do affect future earnings and cash flows.

At March 31, 2004, based on the prevailing interest rates for comparable loans and estimates made by management, the fair value of our mortgage loans receivable was approximately \$75.8 million. A 1% increase in such rates would decrease the estimated fair value of our mortgage loans by approximately \$2.8 million while a 1% decrease in such rates would increase their estimated fair value by approximately \$3.0 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.

The 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 4. CONTROLS AND PROCEDURES

Our principal executive officer and principal financial officer have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2004 (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, these officers have concluded that as of March 31, 2004, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

During the period covered by this report, there have been no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds.

(c) In January 2004, two of our limited partners exercised their conversion rights and exchanged their interest in five of our limited partnerships. In accordance with the partnership agreements, at our option, we issued 175,392 shares of our common stock. The shares were issued in reliance on Section 4(2) of the Securities Act.

(e) The following table provides the information with respect to repurchases of shares of our 9.5% Series A Cumulative Preferred Stock and 9.0% Series B Cumulative Preferred Stock during each month in the first quarter of 2004.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31, 2004				
9.5% Series A Cumulative Preferred Stock (1)	1,225,680	\$ 25.00	1,225,680	—
February 1 through February 29, 2004	—	—	—	—
March 1 through March 31, 2004				
9.5% Series A Cumulative Preferred Stock (2)	1,838,520	\$ 25.00	1,838,520	—
9.0% Series B Cumulative Preferred Stock (3)	1,988,000	\$ 25.00	1,988,000	—
Total	<u>5,052,200</u>	<u>\$ 25.00</u>	<u>5,052,200</u>	<u>—</u>

- (1) On December 31, 2003, we announced the redemption of 1,225,680 shares of our 9.5% Series A Cumulative Preferred Stock representing 40% of the outstanding shares of the Series A Cumulative Preferred Stock. The redemption date was January 30, 2004 and the redemption price was \$25.00 per share plus accrued and unpaid dividends. Because the redemption was announced in 2003, all charges relating to the redemption were recorded in 2003.
- (2) On February 23, 2004, we announced the redemption of 1,838,520 shares of our 9.5% Series A Cumulative Preferred Stock representing all of the outstanding shares of the Series A Cumulative Preferred Stock. The redemption date was March 25, 2004 and the redemption price was \$25.00 per share plus accrued and unpaid dividends.
- (3) On March 1, 2004, we announced the redemption of 1,988,000 shares of our 9.0% Series B Cumulative Preferred Stock representing all of the outstanding shares of the Series B Cumulative Preferred Stock. The redemption date was March 31, 2004 and the redemption price was \$25.00 per share plus accrued and unpaid dividends.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed as exhibits to this report:

- 3.1 Articles Supplementary Reclassifying 3,080,000 Shares of 9.5% Series A Cumulative Preferred Stock and 2,000,000 Shares of 9% Series B Cumulative Preferred Stock into unclassified shares of Preferred Stock filed April 1, 2004.
- 3.2 Articles Supplementary Reclassifying 40,000 Shares of Series D Junior Participating Preferred Stock into unclassified shares of Preferred Stock filed April 1, 2004.
- 10.1 Amended and Restated Employment Agreement of Wendy Simpson dated March 9, 2004.

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- 10.2 Amended and Restated Employment Agreement of Alex Chavez dated March 9, 2004.
- 31.1 Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

In accordance with Item 601(b)(4)(iii) of Regulation S-K, certain instruments pertaining to Registrant's long-term debt have not been filed; copies thereof will be furnished to the Securities and Exchange Commission upon request.

* Certification will not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934

(b) Reports on Form 8-K

On January 26, 2004 we filed a Current Report on Form 8-K dated January 26, 2004 reporting that we signed a Credit Agreement dated as of December 26, 2003 with Bank of Montreal, as Administrative Agent and Harris Nesbitt Corp. as Co-Lead Arranger and Book Manager and Keybank Corporate Capital, Inc. as Co-Lead Arranger and Syndication Agent. The Credit Agreement provides for \$45 million of total commitments and is a revolving line with no scheduled maturities other than the three year term of the Credit Agreement.

On February 6, 2004 we filed a Current Report on Form 8-K dated February 6, 2004 reporting our press release announcing the postponement of our Series F Preferred Stock offering.

On February 12, 2004, we filed a Current Report on Form 8-K dated February 12, 2004 reporting our press release announcing the operating results for the three and twelve months ended December 31, 2003.

On February 19, 2004, we filed a Current Report on Form 8-K dated February 18, 2004 announcing the issuance and sale of up to four million (4,000,000) shares of the 8% Series F Cumulative Preferred Stock.

On February 23, 2004, we filed a Current Report on Form 8-K dated February 23, 2004 reporting our press release announcing the redemption of 1,838,520 shares of our 9.5% Series A Cumulative Preferred Stock representing all of the outstanding shares of the Series A Cumulative Preferred Stock.

On February 27, 2004, we filed a Current Report on Form 8-K dated February 27, 2004 reporting our press release announcing the closing of the sale of 1 million shares of 8% Series F cumulative redeemable preferred stock in a registered direct placement.

On March 1, 2004, we filed a Current Report on Form 8-K dated March 1, 2004 reporting our press release announcing the redemption of 1,988,000 shares of our 9.0% Series B Cumulative Preferred Stock representing all of the outstanding shares of the Series B Cumulative Preferred Stock.

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On March 19, 2004, we filed a Current Report on Form 8-K dated March 19, 2004 reporting our press release announcing the approval of an amendment to our Stockholder Rights Plan to change its expiration date from May 24, 2010 to April 1, 2004.

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.

Dated: May 7, 2004

LTC PROPERTIES, INC.
Registrant

By: /s/ WENDY L. SIMPSON

Wendy L. Simpson
Vice Chairman and Chief Financial Officer

LTC PROPERTIES, INC.

ARTICLES SUPPLEMENTARY

LTC PROPERTIES, INC., a Maryland corporation (the "Company") hereby certifies to the State Department of Assessments and Taxation of Maryland (the "Department") that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Company by Article SEVENTH of the Company's Articles of Amendment and Restatement filed with the Department on August 3, 1992, as amended and supplemented (the "Charter"), and Section 2-105 of the Maryland General Corporation Law (the "MGCL"), the Board of Directors of the Company has, by unanimous written consent in lieu of a meeting dated as of April 1, 2004, adopted resolutions reclassifying and designating 3,080,000 authorized but unissued shares of 9.5% Series A Cumulative ("Series A Preferred Stock"), constituting all of the shares classified and designated as Series A Preferred Stock, and 2,000,000 authorized but unissued shares of 9% Series B Cumulative Preferred Stock ("Series B Preferred Stock"), constituting all of the shares classified and designated as Series B Preferred Stock, as authorized but unissued and unclassified shares of Preferred Stock (as defined in the Charter) of the Company

SECOND: After giving effect to the reclassification and designation of such authorized but unissued shares of Series A Preferred Stock and Series B Preferred Stock described in Article FIRST, the number of authorized but unissued shares of Series A Preferred Stock and Series B Preferred Stock is zero, and of the Fifteen Million (15,000,000) shares of Preferred Stock which the Company has authority to issue under its Charter, Two Million (2,000,000) shares have been classified and designated as 8.5% Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"), Forty Thousand (40,000) shares have been classified and designated as Series D Junior Participating Preferred Stock ("Series D Preferred Stock"), Two Million Two Hundred Thousand (2,200,000) shares have been classified and designated as 8.5% Series E Cumulative Convertible Preferred Stock, Four Million (4,000,000) shares have been classified and designated as 8% Series F Cumulative Preferred Stock and Six Million Seven Hundred Sixty Thousand (6,760,000) shares have not been classified and designated as a separate series. The total number of shares of stock of all classes which the Company has authority to issue, consisting of Fifty Million (50,000,000) shares, par value \$.01 per share, remains unchanged.

THIRD: The shares of stock described herein have been classified or reclassified by the Board of Directors under the authority contained in the Charter of the Company.

FOURTH: These Articles Supplementary have been approved by the Board of Directors of the Company in the manner and by the vote required by law.

FIFTH: The undersigned Vice Chairman of the Company acknowledges these Articles Supplementary to be the corporate act of the Company and, as to all matters or facts

STATE OF MARYLAND

I hereby certify that there is a true and complete copy of the 3 page document on file in this office. DATED: April 1, 2004.

STATE DEPARTMENT OF ASSESSMENTS AND TAXATION

BY: [ILLEGIBLE], Custodian

This stamp replaces our previous certification system. Effective: 6/95

required to be verified under oath, the undersigned Vice Chairman of the Company acknowledges that to the best of her knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

IN WITNESS WHEREOF, the Company has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Vice Chairman and attested to by its Secretary on this 1st day of April, 2004.

ATTEST: LTC PROPERTIES, INC.

/s/ Alex Chavez

By: /s/ Wendy L. Simpson (SEAL)

Name: Alex Chavez

Name: Wendy L. Simpson

Title: Secretary

Title: Vice Chairman

[SEAL]

LTC PROPERTIES, INC.

CORPORATE SEAL

LTC 1992

LTC PROPERTIES, INC.

ARTICLES SUPPLEMENTARY

LTC PROPERTIES, INC., a Maryland corporation (the "Company") hereby certifies to the State Department of Assessments and Taxation of Maryland (the "Department") that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Company by Article SEVENTH of the Company's Articles of Amendment and Restatement filed with the Department on August 3, 1992, as amended and supplemented (the "Charter"), and Section 2-105 of the Maryland General Corporation Law (the "MGCL"), the Board of Directors of the Company has, by unanimous written consent in lieu of a meeting dated as of March 18, 2004, adopted resolutions reclassifying and designating Forty Thousand (40,000) authorized but unissued shares of Series D Participating Preferred Stock of the Company ("Series D Preferred Stock"), constituting all of the shares classified and designated as Series D Preferred Stock, as authorized but unissued and unclassified shares of Preferred Stock (as defined in the Charter) of the Company

SECOND: After giving effect to the reclassification and designation of such authorized but unissued shares of Series D Preferred Stock described in Article FIRST, the number of authorized but unissued shares of Series D Preferred Stock is zero, and of the Fifteen Million (15,000,000) shares of Preferred Stock which the Company has authority to issue under its Charter, Two Million (2,000,000) shares have been classified and designated as 8.5% Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"), Two Million Two Hundred Thousand (2,200,000) shares have been classified and designated as 8.5% Series E Cumulative Convertible Preferred Stock, Four Million (4,000,000) shares have been classified and designated as 8% Series F Cumulative Preferred Stock and Six Million Eight Hundred Thousand (6,800,000) shares have not been classified and designated as a separate series. The total number of shares of stock of all classes which the Company has authority to issue, consisting of Fifty Million (50,000,000) shares, par value \$.01 per share, remains unchanged.

THIRD: The shares of stock described herein have been classified or reclassified by the Board of Directors under the authority contained in the Charter of the Company.

FOURTH: These Articles Supplementary have been approved by the Board of Directors of the Company in the manner and by the vote required by law.

FIFTH: The undersigned Vice Chairman of the Company acknowledges these Articles Supplementary to be the corporate act of the Company and, as to all matters or facts required to be verified under oath, the undersigned Vice Chairman of the Company acknowledges that to the best of her knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

STATE OF MARYLAND

I hereby certify that this is a true and complete copy of the 3 page document on file in this office. DATED: April 1, 2004.

STATE DEPARTMENT OF ASSESSMENTS AND TAXATION

BY: [ILLEGIBLE], Custodian

This stamp replaces our previous certification system. Effective: 6/95

IN WITNESS WHEREOF, the Company has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Vice Chairman and attested to by its Secretary on this 1st day of April, 2004.

ATTEST:

LTC PROPERTIES, INC.

/s/ Alex Chavez

By: /s/ Wendy L. Simpson

(SEAL)

Name: Alex Chavez
Title: Secretary

Name: Wendy L. Simpson
Title: Vice Chairman

[SEAL]
LTC PROPERTIES, INC.
CORPORATE SEAL
LTC 1992
MARYLAND

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of March 9, 2004, 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 two years.

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 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.

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(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.

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 22917 Pacific Coast Hwy, Suite 350, Malibu, California 90265;

(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;

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(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 30% or more 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 Directors" 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.

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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, and in the event of a Change of Control, whether or not Executive's employment is terminated thereby, Section 6(b) 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.

(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 \$1.0 million, and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;

(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 representative 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;

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(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.

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(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.

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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 Prior Employment Agreement) 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: 22917 Pacific Coast Hwy
Suite 350
Malibu, California 90265

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman and Chief Executive Officer

/s/ EDMUND C. KING

By: Compensation Committee Representative

Address: 5235 Linwood Drive
Los Feliz, CA 90027

/s/ WENDY SIMPSON

Wendy Simpson

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement"), effective as of March 9, 2004, is by and between LTC PROPERTIES, INC., a corporation organized under the laws of the State of Maryland ("LTC" or the "Company"), and ALEX CHAVEZ ("EXECUTIVE").

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

1. Appointment, Title and Duties. LTC hereby employs Executive to serve as its Senior Vice President and Treasurer. In such capacity, Executive shall report to the Chief Executive Officer and Chief Financial Officer of the Company, and shall have such duties, powers and responsibilities as are customarily assigned to a Senior Vice President and Treasurer 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 and Chief Financial Officer may assign him, with his 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 Senior Vice President and Treasurer of LTC, and agrees that during the term of this Agreement he will faithfully perform his duties and, except as expressly approved by the Board of Directors of LTC, will devote substantially all of his business time to the business and affairs of LTC, and will not engage, for his 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 his 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 One Hundred Fifty Thousand Dollars (\$150,000) 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.

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(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.

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 his 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 and Chief Financial 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 22917 Pacific Coast Hwy, Suite 350, Malibu, 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;

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(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 his 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 30% or more 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 Directors" 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, and in the event of a Change of Control, whether or not Executive's employment is terminated thereby, Section 6(b) 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.

(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 his 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 \$500,000, and all stock options and/or restricted stock shall automatically vest concurrently upon a Change in Control, notwithstanding any prior existing vesting schedule;

(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 his death, all benefits provided in this Section 6 shall be paid to his estate or as his executor shall direct, but payment may be deferred until Executive's executor or personal representative has been appointed and qualified pursuant to the laws in effect in Executive's jurisdiction of residence at the time of his 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;

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 him

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 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 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/his address set forth below its/his signature hereto, or at such other address as may be designated with postage prepaid, shall be deemed given when received.

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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 Prior Employment Agreement) 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: 22917 Pacific Coast Hwy
Suite 350
Malibu, California 90265

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman and Chief Executive Officer

/s/ EDMUND C. KING

By: _____
Compensation Committee Representative

/s/ ALEX CHAVEZ

Address: 127 Los Padres Dr.
Thousand Oaks, CA 91361

Alex Chavez

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

I, Andre C. Dimitriadis, certify that:

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

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
May 7, 2004

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

I, Wendy L. Simpson, certify that:

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

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Vice Chairman and Chief Financial Officer
(Principal Financial Officer)
May 7, 2004

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

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), each of the undersigned officers of LTC Properties, Inc. (the "Company") hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission (the "Report") that to his or her knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ ANDRE C. DIMITRIADIS

Andre C. Dimitriadis
Chairman, President and Chief Executive Officer
May 7, 2004

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Vice Chairman and Chief Financial Officer
May 7, 2004

NOTE: A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to LTC Properties, Inc. and will be retained by LTC Properties, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.