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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

☐ **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.)

31365 Oak Crest Drive, Suite 200

Westlake Village, California 91361

(Address of principal executive offices, including zip code)

(805) 981-8655

(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding on July 31, 2009 was 23,176,833.

LTC PROPERTIES, INC.

FORM 10-Q

June 30, 2009

INDEX

Page

PART I — Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets	3
Consolidated Statements of Income and Comprehensive Income	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Quantitative and Qualitative Disclosures about Market Risk	31
Item 4. Controls and Procedures	31
PART II — Other Information	
Item 1. Legal Proceedings	32
Item 1A. Risk Factors	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	33
Item 3. Defaults Upon Senior Securities	33
Item 4. Submission of Matters to a Vote of Security Holders	33
Item 5. Other Information	34
Item 6. Exhibits	35

[Table of Contents](#)

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

	June 30, 2009 (unaudited)	December 31, 2008 (audited)
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 2009 — \$137,808; 2008 — \$130,475	\$ 331,575	\$ 337,171
Land	34,971	34,971
Mortgage loans receivable, net of allowance for doubtful accounts: 2009 — \$740; 2008 — \$760	73,546	77,541
Real estate investments, net	440,092	449,683
Other Assets:		
Cash and cash equivalents	14,108	21,118
Debt issue costs, net	599	831
Interest receivable	1,972	2,010
Straight-line rent receivable, net of allowance for doubtful accounts: 2009 — \$530; 2008 — \$140	15,719(1)	13,900(1)
Prepaid expenses and other assets	8,577	9,148
Notes receivable	2,703	2,895
Marketable securities	6,470(2)	6,468(2)
Total Assets	<u>\$ 490,240</u>	<u>\$ 506,053</u>
LIABILITIES AND EQUITY		
Bank borrowings	\$ 5,500	\$ —
Mortgage loans payable	15,871	32,063
Bonds payable	4,225	4,690
Accrued interest	134	251
Accrued expenses and other liabilities	5,983	5,015
Distributions payable	2,967	3,022
Total Liabilities	34,680	45,041
Stockholders' equity:		
Preferred stock \$0.01 par value; 15,000 shares authorized; shares issued and outstanding: 2009 — 7,932; 2008 — 8,042	186,801	189,560
Common stock: \$0.01 par value; 45,000 shares authorized; shares issued and outstanding: 2009 — 23,177; 2008 — 23,136	232	231
Capital in excess of par value	322,761	321,979
Cumulative net income	555,390	533,565
Other	446	735
Cumulative distributions	(613,204)	(588,192)
Total LTC Properties, Inc. Stockholders' Equity	452,426	457,878
Noncontrolling interests	3,134	3,134
Total Equity	<u>455,560</u>	<u>461,012</u>
Total Liabilities and Equity	<u>\$ 490,240</u>	<u>\$ 506,053</u>

- (1) On June 30, 2009 and December 31, 2008, we had \$2,262,000 and \$2,037,000, respectively, in straight-line rent receivable from a lessee that qualifies as a related party because the lessee's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.
- (2) At June 30, 2009 and December 31, 2008, we had a \$6,500,000 face value investment in marketable securities issued by a lessee that qualifies as a related party because the lessee's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

See accompanying notes.

[Table of Contents](#)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Rental income (1)	\$ 14,951	\$ 14,625	\$ 29,981	\$ 29,259
Interest income from mortgage loans	2,106	2,577	4,477	5,235
Interest and other income (2)	328	649	643	1,204
Total revenues	17,385	17,851	35,101	35,698
Expenses:				
Interest expense	814	1,085	1,706	2,261
Depreciation and amortization	3,694	3,730	7,395	7,422
Provisions for doubtful accounts	219	(10)	371	(10)
Operating and other expenses	1,918	1,592	3,651	3,428
Total expenses	6,645	6,397	13,123	13,101
Income from continuing operations	10,740	11,454	21,978	22,597
Discontinued operations:				
Gain on sale of assets, net	—	—	—	92
Net income from discontinued operations	—	—	—	92
Net income	10,740	11,454	21,978	22,689
Income allocated to noncontrolling interests	(76)	(77)	(153)	(154)
Net income attributable to LTC Properties, Inc.	10,664	11,377	21,825	22,535
Income allocated to participating securities	(35)	(39)	(71)	(88)
Income allocated to preferred stockholders	(3,786)	(3,847)	(6,945)	(6,716)
Net income allocable to common stockholders	\$ 6,843	\$ 7,491	\$ 14,809	\$ 15,731
Basic earnings per common share (See Note 10):				
Continuing operations	\$ 0.30	\$ 0.33	\$ 0.64	\$ 0.68
Discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net income allocable to common stockholders	\$ 0.30	\$ 0.33	\$ 0.64	\$ 0.69
Diluted earnings per common share (See Note 10):				
Continuing operations	\$ 0.30	\$ 0.33	\$ 0.64	\$ 0.68
Discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net income allocable to common stockholders	\$ 0.30	\$ 0.33	\$ 0.64	\$ 0.69
Weighted average shares used to calculate earnings per common share:				
Basic	23,081	22,969	23,070	22,916
Diluted	23,163	23,099	23,151	23,058

- (1) During the three and six months ended June 30, 2009, we received \$1,017,000 and \$2,025,000, respectively, in rental income and recorded \$109,000 and \$226,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. During the three and six months ended June 30, 2008, we received \$974,000 and \$1,939,000, respectively, in rental income and recorded \$130,000 and \$269,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. The lessee's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.
- (2) During each of the three and six months ended June 30, 2009 and 2008, we recognized \$180,000 and \$360,000, respectively, of interest income from a lessee that qualifies as a related party because the lessee's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

NOTE: Computations of per share amounts from continuing operations, discontinued operations and net income are made independently. Therefore, the sum of per share amounts from continuing operations and discontinued operations may not agree with the per share amounts from net income allocable to common stockholders. Quarterly and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not agree with the per share amounts for the year.

See accompanying notes.

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

	Six Months Ended June 30,	
	2009	2008
OPERATING ACTIVITIES:		
Net income	\$ 21,978	\$ 22,689
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,395	7,422
Stock-based compensation expense	665	617
Straight-line rental income	(2,209)(1)	(1,870)(1)
Other non-cash items, net	673	273
Gain on sale of real estate assets, net	—	(92)
Decrease in accrued interest payable	(117)	(92)
Decrease in interest receivable	43	67
Net change in other assets and liabilities	1,092	40
Net cash provided by operating activities	29,520	29,054
INVESTING ACTIVITIES:		
Investment in real estate properties and capital improvements, net	(1,731)	(3,533)
Proceeds from sale of real estate investments	—	555
Investment in real estate mortgages	(216)	(8,135)
Principal payments received on mortgage loans receivable	4,196	9,508
Advance under notes receivable	(125)	(300)
Principal payments received on notes receivable	365	309
Net cash provided by (used in) investing activities	2,489	(1,596)
FINANCING ACTIVITIES:		
Bank borrowings	5,500	—
Principal payments on mortgage loans payable and bonds payable	(16,657)	(15,173)
Repurchase of common stock	(16)	—
Preferred stock buyback	(2,000)	(14,276)
Redemption of noncontrolling interests	—	(510)
Distributions paid to noncontrolling interests	(153)	(164)
Distributions paid to stockholders	(25,693)	(26,057)
Net cash used in financing activities	(39,019)	(56,180)
Decrease in cash and cash equivalents	(7,010)	(28,722)
Cash and cash equivalents, beginning of period	21,118	42,631
Cash and cash equivalents, end of period	\$ 14,108	\$ 13,909
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 1,591	\$ 2,215
Non-cash investing and financing transactions:		
Conversion of preferred stock to common stock	23	2,745

- (1) During the three months ended June 30, 2009 and 2008, we recorded \$109,000 and \$130,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. During the six months ended June 30, 2009 and 2008, we recorded \$226,000 and \$269,000, respectively, in straight-line rental income from a lessee that qualifies as a related party. The lessee's Chief Executive Officer is on our Board of Directors. See *Note 9. Transactions with Related Party* for further discussion.

See accompanying notes

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.

We have prepared consolidated financial statements included herein without audit and in the opinion of management have included all adjustments necessary for a fair presentation of the results of operations for the three and six months ended June 30, 2009 and 2008 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 a controlled partnership. All significant intercompany accounts and transactions have been eliminated in consolidation. Control over the partnership is based on the provisions of the partnership agreement that provide us with a controlling financial interest in the partnership. Under the terms of the partnership agreement, our company, as general partner, is responsible for the management of the partnership's assets, business and affairs. Certain of our rights and duties in management of the partnership include making all operating decisions, setting the capital budget, executing all contracts, making all employment decisions, and handling the purchase and disposition of assets. We, as the general partner, are responsible for the ongoing, major, and central operations of the partnership and make all management decisions. In addition, we, as the general partner, assume the risk for all operating losses, capital losses, and are entitled to substantially all capital gains (i.e. asset appreciation).

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

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (or U.S. GAAP) have been condensed or omitted pursuant to rules and regulations governing the presentation of interim financial statements.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation and as required by Statement of Financial Accounting Standards No. 160 *“Noncontrolling Interests in Consolidated Financial Statements-an Amendment of Accounting Research Bulletin No. 51”* (or SFAS No. 160).

The results of operations for the three and six months ended June 30, 2009 and 2008 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 generally are not taxed on income that is distributed to our stockholders.

Impact of New Accounting Pronouncements:

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *“Business Combinations”* (or SFAS No. 141(R)) and requires the acquiring entity in a business combination to measure the assets acquired, liabilities assumed (including contingencies) and any noncontrolling interests at their fair values on the acquisition date. The statement also requires that acquisition-related transaction costs be expensed as incurred and acquired research and development value be capitalized. In addition, acquisition-related restructuring costs are to be capitalized only if they meet certain criteria. SFAS No. 141(R) was effective for fiscal years beginning December 15, 2008. Adoption of SFAS No. 141(R) on January 1, 2009 did not have any effect on our consolidated financial statements.

[Table of Contents](#)

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

In December 2007, the FASB also issued SFAS No. 160 which requires the classification of noncontrolling interests (formerly minority interests) as a component of consolidated equity in the consolidated balance sheet subject to the provisions of EITF Topic No. D-98, *“Classification and Measurement of Redeemable Securities”* (or EITF D-98). SFAS No. 160 is effective for fiscal years beginning December 15, 2008, and is required to be adopted prospectively, except for the presentation and disclosure requirements, which are required to be adopted retrospectively. The required retrospective adoption is reflected in the accompanying consolidated financial statements. In addition, SFAS No. 160 changes the way the consolidated income statement is presented, requiring consolidated net income to be reported at the amounts attributable to both the controlling and noncontrolling interests. The calculation of earnings per share will continue to be based on income amounts attributable to the controlling interest. SFAS No. 160 also addresses accounting and reporting for a change in control of a subsidiary. Adoption of SFAS No. 160 on January 1, 2009 did not impact our computation of net income allocable to common stockholders and earnings per share allocable to common stockholders. We have reclassified the noncontrolling interests of our limited partnership from the mezzanine section of our consolidated balance sheet to equity. This reclassification totaled \$3.1 million as of June 30, 2009 and December 31, 2008.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *“Subsequent Events”* (or SFAS No. 165). SFAS No. 165 is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. Adoption of SFAS No. 165 did not impact on our consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *“The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - A Replacement of FASB Statement No. 162”* (of SFAS No. 168). SFAS No. 168 establishes the FASB Accounting Standards Codification™ (or Codification) as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. When effective, the Codification will supersede all existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. Following SFAS No. 168, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to: (a) update the Codification; (b) provide background information about the guidance; and (c) provide the bases for conclusions on the change(s) in the Codification. The adoption of SFAS No. 168 will not have an impact on our consolidated financial statements.

In June 2008, the FASB issued FASB Staff Position No. EITF Topic No. 03-6-1, *“Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”* (or EITF 03-6-1). EITF 03-6-1 clarifies that outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common stockholders and are considered participating securities, and thus, the issuing entity is required to apply the two-class method of computing basic earnings per share as described in Statement of Financial Accounting Standards No. 128, *“Earnings per Share”* (or SFAS No. 128). EITF 03-6-1 was effective January 1, 2009 and required retrospective adoption to all prior-period earnings per share data is included in the accompanying consolidated financial statements. Adoption of EITF 03-6-1 did not have a material effect on our basic or diluted earnings per share.

[Table of Contents](#)

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

In April 2009, the FASB issued FSP Financial Accounting Standard No. 107-1 and APB 28-1, *“Interim Financial Disclosures about Fair Value of Financial Instruments”* (or FAS No. 107-1), which amends FASB Statement No. 107, *“Disclosures about Fair Value of Financial Instruments,”* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP No. 107-1 also amends APB Opinion No. 28, *“Interim Financial Reporting,”* to require those disclosures in summarized financial information at interim reporting periods. This interpretation is effective for interim reporting

periods ending after June 15, 2009. During the quarter ended June 30, 2009, we adopted FSP No. 107-1. The adoption of FSP No. 107-1 did not impact our consolidated financial statements.

In April 2009, the FASB issued FSP Financial Accounting Standard No. 115-2 and Financial Accounting Standard No. 124-2, “*Recognition and Presentation of Other-Than-Temporary Impairments*” (or FAS No. 115-2 and FAS No. 124-2). FAS No. 115-2 and FAS No. 124-2 amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the consolidated financial statements. FAS No. 115-2 and FAS No. 124-2 is effective for fiscal years and interim periods beginning after June 15, 2009. The adoption of FAS No. 115-2 and FAS No. 124-2 did not have an impact on our consolidated financial statements.

2. Real Estate Investments

Mortgage Loans. The following table summarizes our investments in mortgage loans secured by first mortgages at June 30, 2009 (in thousands):

Type of Property	Gross Investments	Percentage of Investments	Number of Loans	Number of Properties (1)	Number of Beds/Units	Investment per Bed/Unit
Assisted Living Properties	\$ 27,275	36.7%	10	16	714	\$ 38.20
Skilled Nursing Properties	43,260	58.2%	31	38	4,378	\$ 9.88
Schools	3,751	5.1%	1	1	N/A	N/A
Totals	<u>\$ 74,286</u>	<u>100.0%</u>	<u>42</u>	<u>55</u>	<u>5,092</u>	

(1) We have investments in 15 states mortgaged to 24 different operators.

At June 30, 2009, the mortgage loans had interest rates ranging from 7.3% to 13.7% and maturities ranging from 2009 to 2019. In addition, some loans contain certain guarantees, provide for certain facility fees and generally have 20-year to 25-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

During the six months ended June 30, 2009, we received \$1,986,000 plus accrued interest related to the payoff of a mortgage loan secured by a skilled nursing property with 120 beds located in Tennessee. Additionally, we invested \$216,000 under one mortgage loan for capital improvements. We received \$2,210,000 in regularly scheduled principal payments.

During the six months ended June 30, 2008, we invested \$6,754,000 net of closing fees, in a mortgage loan secured by six assisted living properties with 108 units located in Texas. This loan has an initial interest rate of 9.5%, increasing 0.15% annually, with a 20-year amortization and matures in June 2018. We also invested \$938,000, net of closing fees, in a mortgage loan on an assisted living property

[Table of Contents](#)

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

with 41 units located in Florida. This loan has an initial interest rate of 10.5%, increasing 0.125% annually, with a 25-year amortization and matures in November 2009. Also during the six months ended June 30, 2008, we received \$6,939,000 plus accrued interest related to the payoff of three mortgage loans secured by three skilled nursing properties. Additionally, we invested \$443,000 under two existing mortgage loans for capital improvements and received \$2,569,000 in regularly scheduled principal payments.

Owned Properties. The following table summarizes our investments in owned properties at June 30, 2009 (in thousands):

Type of Property	Gross Investments	Percentage of Investments	Number of Properties (1)	Number of Beds/Units	Investment per Bed/Unit
Assisted Living Properties	\$ 254,857	50.6%	85	3,884	\$ 65.62
Skilled Nursing Properties	240,227	47.6%	62	7,209	\$ 33.32
Schools	9,270	1.8%	1	N/A	N/A
Totals	<u>\$ 504,354</u>	<u>100.0%</u>	<u>148</u>	<u>11,093</u>	

(1) We have investments in 23 states leased to 23 different operators.

Owned properties are leased pursuant to non-cancelable operating leases generally with an initial term of 10 to 30 years. Each lease is a triple net lease which requires the lessee to pay all taxes, insurance, maintenance and repairs, capital and non-capital expenditures and other costs necessary in the operations of the facilities. Many of the leases contain renewal options and two contain limited period options that permit the operators to purchase the properties. The leases provide for fixed minimum base rent during the initial and renewal periods. The majority of our leases contain provisions for specified annual increases over the rents of the prior year that are generally computed in one of four ways depending on specific provisions of each lease:

- (i) a specified percentage increase over the prior year, generally between 2.0% and 2.5%;
- (ii) the higher of (i) or a calculation based on the Consumer Price Index;
- (iii) as a percentage of facility net patient revenues in excess of base amounts or
- (iv) specific dollar increases.

During the six months ended June 30, 2009, we invested \$1,264,000 at an average yield of 10.7%, under agreements to expand and renovate five existing properties operated by four different operators. We also invested \$467,000 in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

During the six months ended June 30, 2008, we sold for \$600,000 a vacant parcel of land adjacent to a skilled nursing property in New Mexico to a third party. We received net cash proceeds of \$555,000 and recognized a \$92,000 gain on sale. We also acquired a 30-bed skilled nursing property located in Ohio for an aggregate price of \$1,014,000 that was added to an existing master lease at a 10% yield and we agreed to provide funding up to \$2,000,000 to purchase land, construct and equip a new

replacement building which will be a combined skilled nursing and assisted living property. This investment is at the higher of one-year LIBOR plus 5.3% or 10% and construction must be completed by January 18, 2011. Additionally, during the six months ended June 30, 2008, we invested \$1,292,000, at an average yield of 9.9%, under agreements to expand and renovate 13 properties operated by six different operators. We also invested \$1,227,000 in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

[Table of Contents](#)

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

Discontinued Operations. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" properties held for sale at any reporting period include 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. 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 income. For the six months ended June 30, 2009 and 2008, we did not have net income (loss) from discontinued operations other than the \$92,000 gain on sale in 2008 as disclosed above.

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

3. Notes Receivable

During the six months ended June 30, 2009, we received \$365,000 in principal payments and funded \$125,000 under various loans and line of credit agreements with certain operators. At June 30, 2009, we had seven such loans outstanding with a carrying value of \$2,703,000 at a weighted average interest rate of 11.7%.

4. Marketable Securities

At June 30, 2009 and December 31, 2008, we had an investment in \$6,500,000 face value of Skilled Healthcare Group, Inc. (or SHG) Senior Subordinated Notes with a face rate of 11.0% and an effective yield of 11.1%. Interest on the notes is payable semi-annually in arrears and the notes mature on January 15, 2014. One of our board members is the chief executive officer of SHG. See *Note 9. Transactions with Related Party* for further discussion.

5. Debt Obligations

Bank Borrowings. During 2008, we amended and extended our Unsecured Revolving Credit Agreement (or Unsecured Credit Agreement) at an initial commitment amount of \$80,000,000. The Unsecured Credit Agreement provides for the opportunity to increase the credit amount up to a total of \$120,000,000. The prior agreement did not have an expansion provision. The Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of July 17, 2011. The pricing under the amended Unsecured Credit Agreement is either Prime Rate plus 0.50% or LIBOR plus 1.50% depending on our borrowing election. At the time of borrowing, we may elect the 1, 2, 3 or 6 month LIBOR rate. Under financial covenants contained in the Unsecured Credit Agreement which are measured quarterly we are required to maintain, among other things:

- (i) a ratio, of total indebtedness to total asset value, not greater than .5 to 1.0,
- (ii) a ratio not greater than .35 to 1.0 of secured debt to total asset value
- (iii) a ratio not less than 2.5 to 1.0 of EBITDA to interest expense, and
- (iv) a ratio of not less than 1.50 to 1.0 of EBITDA to fixed charges.

At June 30, 2009, we had \$5,500,000 outstanding borrowing under the Unsecured Credit Agreement with \$74,500,000 available for borrowing. Subsequent to June 30, 2009, we paid \$2,500,000 under the unsecured credit agreement reducing the outstanding borrowing to \$3,000,000 with \$77,000,000 available for borrowing. At June 30, 2008, we had no outstanding borrowings under the Unsecured Credit Agreement.

[Table of Contents](#)

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

Mortgage Loans Payable. During the three and six months ended June 30, 2009, we paid off two mortgage loans in the amount of \$15,834,000 secured by 10 assisted living properties located in various states. The retired debt bore a weighted average interest rate of 8.81%. During the six months ended June 30, 2009, we paid \$358,000 in regularly scheduled principal payments. At June 30, 2009 we had two mortgage loans outstanding with a carrying value of \$15,871,000 at a weighted average interest rate of 8.56%. Subsequent to June 30, 2009, we paid off one mortgage loan in the amount of \$8,101,000 secured by one assisted living property located in California. The retired debt bore an interest rate of 8.43%.

Bonds Payable. At June 30, 2009 and December 31, 2008, we had outstanding principal of \$4,225,000 and \$4,690,000 respectively, on multifamily tax-exempt revenue bonds that are secured by five assisted living properties in Washington. These bonds bear interest at a variable rate that is reset weekly and mature during 2015. For the six months ended June 30, 2009, the weighted average interest rate, including letter of credit fees, on the outstanding bonds was 1.30%. During the six months ended June 30, 2009 and 2008, we paid \$465,000 and \$440,000 in regularly scheduled principal payments. As of June 30, 2009 and December 31, 2008, the aggregate carrying value of real estate properties securing our bonds payable was \$7,575,000 and \$7,707,000, respectively.

6. Equity

Equity is allocated between controlling and noncontrolling interests as follows (*in thousands*):

	LTC Properties, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2008	\$ 457,878	\$ 3,134	\$ 461,012
Net income	21,825	153	21,978
Repurchase of preferred stock	(2,000)	—	(2,000)
Repurchase of common stock	(16)	—	(16)
Vested stock options and restricted stock	665	—	665
Reclassification adjustment	(288)	—	(288)
Noncontrolling interest preferred return	—	(153)	(153)
Preferred stock dividends	(7,571)	—	(7,571)
Common stock dividends	(18,067)	—	(18,067)
Balance at June 30, 2009	\$ 452,426	\$ 3,134	\$ 455,560

Preferred Stock. During the six months ended June 30, 2009 holders of 900 shares of our 8.5% Series E Cumulative Convertible Preferred Stock (Series E preferred stock) elected to convert such shares into 1,800 shares of our common stock at the Series E preferred stock conversion rate of \$12.50 per share. Total shares reserved for issuance of common stock related to the conversion of Series E preferred stock were 75,632 at June 30, 2009.

During the six months ended June 30, 2009, we invested \$2,000,000 to repurchase a total of 109,484 shares of our 8.0% Series F Cumulative Preferred Stock (or Series F Preferred Stock) at an average cost of \$18.27 per share, including commissions. During the six months ended June 30, 2008, we invested \$14,276,000 to repurchase a total of 636,300 shares of our Series F Preferred Stock at an average cost of \$22.44 per share, including commissions. The Series F preferred stock has a liquidation value of \$25.00 per share. As required by EITF Topic D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock" (or EITF Topic No. D-42), the discounted purchase price on these shares, which is the liquidation value over the fair value, netted with the original issue discount has been added to net income in calculating net income allocable to common stockholders. After these purchases, 5,894,216 shares of our Series F preferred stock remained issued and outstanding.

[Table of Contents](#)

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

Common Stock. Our Board of Directors authorized a share repurchase program enabling us to repurchase up to 5,000,000 shares of our equity securities, including common and preferred securities. During the three and six months ended June 30, 2009, we purchased and retired 900 shares of common stock for an aggregate purchase price of \$16,000 or \$17.33 per share, including commission. The shares were purchased on the open market under the Board authorization discussed above. Including this common stock purchase and the preferred stock repurchase, as mentioned above, we continue to have an open Board authorization to purchase an additional 3,360,237 shares in total of common and/or preferred stock.

Noncontrolling Interests. We have one limited partnership and reserved 179,882 shares of our common stock under this partnership agreement. Since we exercise control, we consolidate the limited partnership and we carry the noncontrolling interests at cost. The limited partnership agreement allows the limited partners to convert, on a one-for-one basis, their limited partnership units into shares of common stock or the cash equivalent, at our option. If we issued shares of our common stock upon limited partners' election to exercise their conversion rights, the carrying amount of the partnership would be reclassified to stockholders' equity. At June 30, 2009, the carrying value and market value of the partnership conversion rights was \$3,134,000 and \$3,755,000, respectively.

During the six months ended June 30, 2008, one of our limited partners exercised its conversion rights and exchanged a portion of its interest in the limited partnership. Upon receipt of the redemption notification of 22,000 limited partnership units, we elected to satisfy the redemption in cash. We paid the limited partner \$510,000 in cash, which represented the closing price of our common stock on the redemption date multiplied by the number of limited partnership units redeemed. The amount we paid upon redemption exceeded the book value of the limited partnership interest redeemed by \$136,000. In accordance with Statement of Financial Accounting Standard No. 141, "Business Combinations" (or SFAS No. 141), we recognized this \$136,000 difference as an increase in the basis of the properties.

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

	Six Months Ended June 30, 2009		Six Months Ended June 30, 2008	
	Declared	Paid	Declared	Paid
Preferred Stock				
Series C	\$ 1,636	\$ 1,636	\$ 1,636	\$ 1,636
Series E	41	41	65	123
Series F	5,894	5,949	6,004	6,322
	7,571	7,626	7,705	8,081
Common Stock (1)	18,067	18,067	17,976	17,976
Total (2)	\$ 25,638	\$ 25,693	\$ 25,681	\$ 26,057

(1) Represents \$0.130 per share per month for the six months ended June 30, 2009 and 2008.

(2) The difference between declared and paid is the change in distributions payable on the balance sheet at June 30 and December 31.

In July 2009, we declared a monthly cash dividend of \$0.130 per common share per month for the months of July, August and September 2009, payable on July 31, August 31 and September 30, 2009, respectively, to stockholders of record on July 23, August 21 and September 22, 2009, respectively.

[Table of Contents](#)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
(Unaudited)

Other Equity. Other equity consists of accumulated comprehensive income of \$446,000 and \$735,000 at June 30, 2009 and December 31, 2008, respectively. This balance represents the net unrealized holding gains on available-for-sale REMIC Certificates recorded in 2005 when we repurchased the loans in the underlying loan pool. This amount is being amortized to increase interest income over the remaining life of the loans that we repurchased from the REMIC Pool.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Comprehensive Income:				
Net Income	\$ 10,740	\$ 11,454	\$ 21,978	\$ 22,689
Reclassification adjustment	(28)	(40)	(288)	(80)
Comprehensive income	<u>\$ 10,712</u>	<u>\$ 11,414</u>	<u>\$ 21,690</u>	<u>\$ 22,609</u>

Stock-Based Compensation. During the six months ended June 30, 2009 and 2008, \$70,000 and \$71,000, respectively, of compensation expense was recognized related to the vesting of stock options. No stock options were issued during the six months ended June 30, 2009 and 2008. At June 30, 2009, the total number of stock options that are scheduled to vest through December 31, 2009 and 2010 is 68,167 and 68,170, respectively. We have no stock options outstanding that are scheduled to vest beyond 2010. The remaining compensation expense to be recognized related to the future service period of unvested outstanding stock options for 2009 and 2010 is \$70,000 and \$59,000, respectively. Subsequent to June 30, 2009, we issued 15,000 options to purchase common stock at an exercise price of \$24.65 per share. These stock options vest ratably over a three-year period.

During the three months ended June 30, 2009, we granted 3,000 shares of restricted common stock at \$18.34 per share. These shares vest ratably over a three-year period. During the six months ended June 30, 2009 and 2008, we recognized \$595,000 and \$546,000, respectively, of compensation expense related to the vesting of restricted common stock. During the six months ended June 30, 2009, we granted 36,988 shares of restricted common stock at \$17.06 and 3,000 shares of restricted common stock as mentioned above. These shares vest ratably over a three-year period. No restricted common stock was granted during the six months ended June 30, 2008. Subsequent to June 30, 2009, we granted 3,000 shares of restricted common stock at \$24.65 per share. These shares vest ratably over a three-year period.

[Table of Contents](#)

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

7. Commitments and Contingencies

The following table summarizes our capital improvement commitments as of June 30, 2009 (*dollar amounts in thousands*):

Original Commitment(9)	Expiration Date	Investment at 6/30/09	Open Commitment at 6/30/09	Estimated Yield	Property Type	Properties	Major Operator
\$ 650	8/31/2009	\$ 381	\$ 269	13.00%(1)	SNF	1	N/A
2,500	12/4/2009	—	2,500	10.00%(2)	ALF	35	Brookdale
100	12/31/2009	47	53	(8)(1)	SNF	1	N/A
726	3/31/2010	544	182	11.00%(2)	SNF	1	Preferred Care
2,000	3/31/2010	—	2,000	11.00%(1)	SNF	1	Preferred Care
4,000	3/31/2010	—	4,000	11.00%(1)	SNF	1	Preferred Care
875	10/7/2010	427	448	(6)	ALF	1	N/A
500	10/22/2010	100	400	10.00%(2)	ALF	1	N/A
2,500	6/16/2010	863	1,637	10.00%(1)	SNF	1	N/A
1,500	12/1/2010	—	1,500	(5)	ALF	2	N/A
2,000	1/18/2011	—	2,000	(4)(1)	SNF	1	N/A
5,000(7)	12/31/2014	—	5,000(7)	(3)	ALF	37	ALC
<u>\$ 22,351</u>		<u>\$ 2,362</u>	<u>\$ 19,989</u>				

- (1) Minimum rent will increase upon final funding and project completion or in some cases, the improvement deadline as defined in each lease agreement.
- (2) Minimum rent will increase on the 1st of each month by the amount advanced in the previous month multiplied by the estimated yield.
- (3) 9.5% plus the positive difference, if any, between the average yield on the U.S. Treasury 10-year note for the five days prior to funding, minus 420 basis points (expressed as a percentage).
- (4) The higher of one-year LIBOR plus 5.3% or 10%.
- (5) The commitment is allocated in two tranches of \$750,000 each. The yield for the first tranche is included in the initial lease rate; the yield for the second tranche is 8.5% with minimum rent increases as per Footnote (2).
- (6) The yield is included in the initial lease rate.
- (7) \$5,000,000 per year for the life of the lease.
- (8) The commitment is allocated in two tranches of \$50,000 each. The yield for the first tranche is included in the initial lease rate; the yield for the second tranche is 10%.
- (9) Subsequent to June 30, 2009, we committed to provide a lessee with capital improvement commitment of \$1,100,000 expiring on April 17, 2010 with an estimated yield of 10.5%.

The following table summarizes our loan commitments as of June 30, 2009 (*dollar amounts in thousands*):

Original Commitment	Expiration Date	Investment at 6/30/09	Open Commitment at 6/30/09	Yield	Property Type	Properties	Major Operator
\$ 400	12/31/2009	\$ 323	\$ 77	(1)	SNF	1	N/A
450	6/30/2009(2)	250	200	8.75%(2)	SNF	3	N/A

50	3/31/2010	20	30	10.00%	SNF	1	N/A
\$ 900		\$ 593	\$ 307				

- (1) The principal balance of the loan will increase on the date any funds are disbursed by an amount equal to such funding and shall bear interest at the then current interest rate of the existing loan. The monthly loan payment will increase at each increase to the principal balance. The interest rate at June 30, 2009 is 10.7%
- (2) Subsequent to June 30, 2009, the interest rate was increased to 10% and the expiration date was extended to June 30, 2010.

[Table of Contents](#)

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

8. Major Operators

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

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

Beginning in 2009, Alterra Healthcare Corporation changed its name to Brookdale Senior Living Communities, Inc. (or Brookdale Communities). Brookdale Communities is a wholly owned subsidiary of a publicly traded company, Brookdale Senior Living, Inc. (or Brookdale).

The following table summarizes Extencicare REIT's, ALC's and Brookdale's financial information as of and for the three months ended March 31, 2009 per the operators' public filings (*in thousands*). Our other operator is privately owned and thus no public financial information is available:

	Extencicare REIT (1)	ALC	Brookdale
Current assets	\$ 461,187	\$ 31,093	\$ 292,901
Non-current assets	1,372,600	448,247	4,175,530
Current liabilities	362,278	47,088	570,078
Non-current liabilities	1,512,929	166,630	2,944,052
Stockholders' (deficit) equity	(41,420)	265,622	954,301
Gross revenue	584,249	57,634	497,946
Operating expenses	537,625	67,523	487,693
Income (loss) from continuing operations	4,450	11,775	(13,636)
Net income (loss)	3,657	11,775	(13,636)
Cash provided by operations	36,912	6,750	68,757
Cash used in investing activities	(12,694)	(12,436)	(72,516)
Cash (used in) provided by financing activities	(28,011)	(3,593)	2,293

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

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

Extencicare REIT and ALC, collectively lease 37 assisted living properties with a total of 1,427 units owned by us representing approximately 12.4%, or \$60,767,000, of our total assets at June 30, 2009 and 15.0% of rental revenue and interest income from mortgage loans recognized as of June 30, 2009.

Brookdale Communities, a wholly owned subsidiary of Brookdale, leases 35 assisted living properties with a total of 1,416 units owned by us representing approximately 12.3%, or \$60,358,000, of our total assets at June 30, 2009 and 14.7% of rental revenue and interest income from mortgage loans recognized as of June 30, 2009.

Preferred Care, Inc. (or Preferred Care), through various wholly owned subsidiaries, operates 33 skilled nursing properties with a total of 4,021 beds that we own or on which we hold mortgages secured by first trust deeds. This represents approximately 12.6%, or \$61,969,000, of our total assets at June 30, 2009 and 13.4% of rental revenue and interest income from mortgage loans recognized as of June 30, 2009. They also operate one skilled nursing property under a sub-lease with another lessee we have which is not included in the Preferred Care rental revenue and interest income from mortgage loans.

[Table of Contents](#)

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

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

9. Transactions with Related Party

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

In December 2005, we purchased, on the open market, \$10,000,000 face value of SHG Senior Subordinated Notes with a face rate of 11.0% and an effective yield of 11.1%. Our Board of Directors, with Mr. Hendrickson abstaining, ratified the purchase of SHG Senior Subordinated Notes. As a result of an early redemption by SHG in 2007, we have a remaining investment in \$6,500,000 face value of SHG Senior Subordinated Notes at June 30, 2009 and December 31, 2008. During each of the three and six months ended June 30, 2009 and 2008, we recognized \$180,000 and \$360,000, respectively, of interest income related to the SHG Senior Subordinated Notes. Interest on the notes is payable semi-annually in arrears and the notes mature on January 15, 2014.

In addition, during September 2007 SHG purchased the assets of Laurel Healthcare (or Laurel). In February 2006 we entered into a 15-year master lease agreement with Laurel. One of the assets SHG purchased was Laurel's leasehold interests in the skilled nursing properties Laurel leased from us under the master lease agreement. Our Board of Directors, with Mr. Hendrickson abstaining, ratified our consent to the assignment of Laurel's master lease to SHG. The economic terms of the master lease agreement did not change as a result of our assignment of the master lease to SHG. During the three and six months ended June 30, 2009, we received \$1,017,000 and \$2,025,000, respectively, in rental income and recorded \$109,000 and \$226,000, respectively, in straight-line rental income from SHG. During the three and six months ended June 30, 2008, we received \$974,000 and \$1,939,000, respectively, in rental income and recorded \$130,000 and \$269,000, respectively, in straight-line rental income from SHG. At June 30, 2009 and December 31, 2008, the straight-line rent receivable from SHG was \$2,262,000 and \$2,037,000, respectively.

[Table of Contents](#)

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

10. Earnings per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Income from continuing operations	\$ 10,740	\$ 11,454	\$ 21,978	\$ 22,597
Less net income allocated to noncontrolling interests:	(76)	(77)	(153)	(154)
Less net income allocated to participating securities:				
Nonforfeitable dividends on participating securities (application of EITF Topic No. 03-6-1)	(35)	(39)	(71)	(88)
Total net income allocated to participating securities	(35)	(39)	(71)	(88)
Less net income allocated to preferred stockholders:				
Preferred stock dividends	(3,786)	(3,847)	(7,571)	(7,705)
Allocation of income from preferred stock buyback (application of EITF Topic No. D-42)	—	—	626	989
Total net income allocated to preferred stockholders	(3,786)	(3,847)	(6,945)	(6,716)
Income from continuing operations allocable to common stockholders	6,843	7,491	14,809	15,639
Discontinued operations	—	—	—	92
Total net income allocable to common stockholders	6,843	7,491	14,809	15,731
Effect of dilutive securities:				
Convertible preferred securities	20	28	41	65
Net income for diluted net income per share	\$ 6,863	\$ 7,519	\$ 14,850	\$ 15,796
Shares for basic net income per share				
Effect of dilutive securities:	23,081	22,969	23,070	22,916
Stock options	6	25	6	18
Convertible preferred securities	76	105	75	124
Shares for diluted net income per share	23,163	23,099	23,151	23,058
Basic net income per share	\$ 0.30	\$ 0.33	\$ 0.64	\$ 0.69
Diluted net income per share	\$ 0.30(1)	\$ 0.33(1)	\$ 0.64(1)	\$ 0.69(1)

(1) The Series C Cumulative Convertible Preferred Stock, the participating securities and the noncontrolling interest have been excluded from the computation of diluted net income per share as such inclusion would be anti-dilutive.

[Table of Contents](#)

11. Fair Value Measurements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “*The Fair Value of Option for Financial Assets and Financial Liabilities*” (or SFAS No. 159). SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses on items for which the fair value option has been elected reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We did not adopt the elective fair market value option in our 2008 financial statements.

In April 2009, the FASB issued FAS No. 107-1, which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This interpretation is effective for interim reporting periods ending after June 15, 2009. During the quarter ended June 30, 2009, we adopted FSP No. 107-1. The adoption of FSP No. 107-1 did not impact our consolidated financial statements.

The carrying amount of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments. We do not invest our cash in auction rate securities. The carrying value and fair value of our financial instruments as of June 30, 2009 and December 31, 2008 assuming election of SFAS No. 159 were as follows (*in thousands*):

	At June 30, 2009		At December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage loans receivable	\$ 73,546	\$ 83,756(1)	\$ 77,541	\$ 88,891(1)
Marketable debt securities	6,470	6,663(2)	6,468	6,110(2)
Mortgage loans payable	15,871	16,096(3)	32,063	32,914(3)
Bonds payable	4,225	4,225(4)	4,690	4,690(4)

- (1) Our investment in mortgage loans receivable is classified as Level 3. The fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is determined using our assumption on market conditions adjusted for market and credit risk and current returns on our investments. The discount rate used to value our future cash inflows of the mortgage loans receivable as June 30, 2009 and December 31, 2008 was 7.5%.
- (2) Our investment in marketable debt securities is classified as Level 2 and thus the fair value is measured using quoted market rates for identical instruments in active markets from an independent third party source. The pricing of our marketable debt securities at June 30, 2009 and December 31, 2008 was 102.5% and 94%, respectively.
- (3) Our obligation under our mortgage loans payable is classified as Level 3 and thus the fair value is determined using a widely accepted valuation technique, discounted cash flow analysis on the expected cash flows. The discount rate is measured based upon management’s estimates of rates currently prevailing for comparable loans available to us, and instruments of comparable maturities. At June 30, 2009 and December 31, 2008, the discount rate used to value our future cash outflow of our mortgage loans payable was 6.25%.
- (4) Our bonds payable are at a variable interest rate. The estimated fair value of our bonds payable approximated their carrying values at June 30, 2009 and December 31, 2008 based upon prevailing market interest rates for similar debt arrangements.

[Table of Contents](#)

12. Subsequent Event

We evaluated subsequent events through August 5, 2009 when the financial statements were issued. During this time, we had the following events:

- We declared a monthly cash dividend of \$0.130 per common share per month for the months of July, August and September 2009, payable on July 31, August 31 and September 30, 2009, respectively, to stockholders of record on July 23, August 21 and September 22, 2009, respectively.
- We paid off one mortgage loan in the amount of \$8,101,000 secured by one assisted living property located in California. The retired debt bore an interest rate of 8.43%.
- We paid \$2,500,000 under the unsecured credit agreement reducing the outstanding borrowing to \$3,000,000 with \$77,000,000 available for borrowing.
- We committed to provide a lessee with capital improvement commitment of \$1,100,000 expiring on April 17, 2010 with an estimated yield of 10.5%.
- We increased the interest rate of one of our loan commitments from 8.75% to 10% and extended the expiration date from June 30, 2009 to June 30, 2010.
- We issued 15,000 options to purchase common stock at an exercise price of \$24.65 per share. These stock options vest ratably over a three-year period.
- We granted 3,000 shares of restricted common stock at \$24.65 per share. These shares vest ratably over a three-year period.

[Table of Contents](#)

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

Executive Overview

Business

We are a self-administered health care real estate investment trust (or REIT) that invests primarily in long-term healthcare and other health care related properties through mortgage loans, property lease transactions and other investments. In the second quarter of 2009, long-term healthcare properties, which include skilled nursing and assisted living properties, comprised approximately 98% of our investment portfolio. We have been operating since August 1992.

The following table summarizes our “direct real estate investment portfolio” (properties that we own or on which we hold promissory notes secured by first mortgages) as of June 30, 2009 (*dollar amounts in thousands*):

Type of Property	Gross Investments	Percentage of Investments	Six Months Ended 6/30/09		Percentage of Revenues (3)	Number of Properties	Number of Beds /Units	Investment per Bed/Unit	Number of Operators (1)	Number of States (1)
			Rental Income	Interest Income (2)						
Assisted Living Properties	\$ 282,132	48.8%	\$ 15,021	\$ 1,547	48.1%	101	4,598	\$ 61.36	13	22
Skilled Nursing Properties	283,487	49.0%	14,371	2,777	49.8%	100	11,587	24.47	34	20
Schools	13,021	2.2%	589	153	2.1%	2	N/A	N/A	2	2
Totals	<u>\$ 578,640</u>	<u>100.0%</u>	<u>\$ 29,981</u>	<u>\$ 4,477</u>	<u>100.0%</u>	<u>203</u>	<u>16,185</u>			

- (1) We have investments in 30 states leased or mortgaged to 44 different operators.
(2) Includes Interest Income from Mortgage Loans.
(3) Includes Rental Income and Interest Income from Mortgage Loans.

As of June 30, 2009 we had \$440.1 million in carrying value of net real estate investment, consisting of \$366.5 million or 83.3% invested in owned and leased properties and \$73.6 million or 16.7% invested in mortgage loans secured by first mortgages.

For the six months ended June 30, 2009, rental income and interest income from mortgage loans represented 85.4% and 12.8%, respectively, of total gross revenues. In most instances, our lease structure contains fixed annual rental escalations, which are generally recognized on a straight-line basis over the minimum lease period in accordance with SFAS No. 13, "Accounting for Leases." Certain leases have annual rental escalations that are contingent upon changes in the Consumer Price Index and/or changes in the gross operating revenues of the property. This revenue is not recognized until the appropriate contingencies have been resolved. This lease structure initially generates lower revenues and net income but enables us to generate additional growth and minimize non-cash straight-line rent over time. For the six months ended June 30, 2009 and 2008, we recorded \$2.2 million and \$1.9 million, respectively, in straight-line rental income. Also during the six months ended June 30, 2009, we recorded an additional \$0.4 million of straight-line rent receivable reserve. Straight-line rental income on a same store basis will decrease from \$4.1 million for projected annual 2009 to \$2.4 million for projected annual 2010 assuming no modification or replacement of existing leases and no new leased investments with fixed annual rental escalations are added to our portfolio. Conversely our cash rental income is projected to increase from \$56.5 million for projected annual 2009 to \$58.8 million for projected annual 2010 assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio. During the six months ended June 30, 2009, we received \$28.1 million of cash rental revenue and recorded \$0.3 million of lease inducement cost. At June 30, 2009 and December 31, 2008, the straight-line rent receivable balance, net of reserves, on the balance sheet was \$15.7 million and \$13.9 million, respectively.

20

[Table of Contents](#)

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

- For investments in skilled nursing properties, we favor low cost per bed opportunities, whether in fee simple properties or in mortgages. The average per bed cost of our owned skilled nursing properties is approximately \$33,300 per bed while that of properties subject to our mortgages is approximately \$9,800 per bed.
- Additionally with respect to skilled nursing properties, we attempt to invest in properties that do not have to rely on a high percentage of private-pay patients. We seek to invest primarily in properties that are located in suburban and rural areas of states. We prefer to invest in a property that has significant market presence in its community and where state certificate of need and/or licensing procedures limit the entry of competing properties.
- For assisted living investments we have attempted to diversify our portfolio both geographically and across product levels. Thus, we believe that although the majority of our investments are in affordably priced units, our portfolio also includes a significant number of upscale units in appropriate markets with certain operators.

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

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

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

21

[Table of Contents](#)

Economic Climate

Through the second quarter of 2009, the U.S. experienced challenging financial markets, tighter credit conditions, and slower growth. Continued concerns about the systemic impact of the recession, declining business and consumer confidence, and a weakened real estate market have contributed to increased market volatility and diminished expectations for the U.S. economy. As a result, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Continued turbulence in the U.S. and international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our operators.

We expect that the deterioration in the credit markets should exert downward pressure on prices of long term healthcare properties, although the lack of recent transaction volume makes it difficult to determine if this is occurring. However, we believe our business model has enabled and will continue to allow us to maintain the integrity of our property investments, including our ability to respond to financial difficulties that may be experienced by operators. Traditionally, we have taken a conservative approach to managing our business, choosing to maintain liquidity and exercise patience until favorable investment opportunities arise.

At June 30, 2009, we had \$14.1 million of cash on hand and \$74.5 million available on our \$80.0 million Unsecured Credit Agreement which matures July 17, 2011. Subsequent to June 30, 2009, we paid \$8.1 million on a mortgage loan secured by one assisted living property located in California. The retired debt bore an interest rate of 8.43%. Also, we paid \$2.5 million under our Unsecured Credit Agreement resulting in \$3.0 million being outstanding under our Unsecured Credit Agreement. In calendar year 2009, we have mortgage receivables of \$7.5 million maturing in November.

As a result, we believe our liquidity and various sources of available capital are sufficient to fund operations, meet debt service obligations (both principal and interest), make dividend distributions and finance some future investments should we determine such future investments are financially feasible.

Political Climate

The Centers for Medicare & Medicaid Services (or CMS) annually updates Medicare skilled nursing facility prospective payment system rates and other policies. On July 31, 2009, CMS published the final Medicare skilled nursing facility rates for fiscal year 2010, which will begin on October 1, 2009. The rule reduces Medicare payments by \$390 million or 1.2%, compared to fiscal year 2009 levels. The rule provides for a recalibration of the case mix weights that will reduce payments by 3.3%, which would more than offset the 2.1% market basket update. The loss of revenues associated with changes in skilled nursing facility payment rates could, in the future, have an adverse effect on the financial condition of our borrowers and lessees which could, in turn, adversely impact the timing or level of their payments to us.

In addition, each year legislation is proposed in Congress and in some state legislatures that would affect broader changes in the health care system, either nationally or at the state level. President Obama and congressional leaders have expressed their commitment to enacting major health reform legislation this year. Among the proposals under consideration are additional cost controls on the Medicare and Medicaid programs, health care provider cost-containment initiatives, expanded access to insurance, possibly with a government health insurance option to compete with private plans, measures to prevent medical errors, incentives to promote community-based care as an alternative to institutional long-term care services, and alternative health care delivery systems. Congressional committees are currently considering a wide variety of plans, which are subject to extensive revision before a final plan emerges. We will continue to monitor developments. Given the ongoing debate, we cannot predict whether any reform proposals will be adopted or, if adopted, what effect, if any, such proposals would have on our borrowers and lessees or our business.

[Table of Contents](#)

Key Transactions

During the three months ended June 30, 2009, we paid \$15.8 million related to the payoff of two mortgage loans secured by 10 assisted living properties. The retired debts bore an interest rate of 8.81%. Subsequent to June 30, 2009, we paid \$8.1 million on a mortgage loan secured by one assisted living property located in California that bore an interest rate of 8.43%. As a result of these mortgage loans payoffs, we have a \$7.8 million mortgage loan remaining secured by an assisted living property located in California. This mortgage loan is due in August 2010 but may be paid 90 days before maturity. Also, we have \$4.2 million outstanding on multifamily tax-exempt revenue bonds secured by five assisted living properties located in Washington. These bonds bear interest at a variable interest rate and mature in 2015. The weighted average interest rate as of June 30, 2009, including letter of credit fees, was 1.30%.

Key Performance Indicators, Trends and Uncertainties

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

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

The following table reflects our recent historical trends of concentration risk:

	Period Ended				
	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08
	(gross investment, in thousands)				
Asset mix:					
Real property	\$ 504,354	\$ 503,255	\$ 502,617	\$ 497,656	\$ 496,114
Loans receivable	74,286	75,412	78,301	87,581	91,040
Investment mix:					
Assisted living properties	\$ 282,132	\$ 282,084	\$ 282,084	\$ 282,304	\$ 282,406
Skilled nursing properties	283,487	283,563	285,814	289,913	291,728
Schools	13,021	13,020	13,020	13,020	13,020
Operator mix:					
Brookdale Communities	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210
Preferred Care, Inc. (1)	86,923	87,015	87,150	87,281	87,490
Extendicare (ALC)	88,034	88,034	88,034	88,034	88,034
Remaining operators	319,473	319,408	321,524	325,712	327,420
Geographic mix:					
Colorado	\$ 27,753	\$ 27,723	\$ 27,706	\$ 27,581	\$ 27,581
Florida	43,887	43,836	43,884	43,930	43,975
Ohio	56,804	56,804	56,804	56,804	55,862
Texas	103,657	103,944	104,197	104,637	106,568
Washington	27,312	27,334	27,355	27,376	27,412
Remaining states	319,227	319,026	320,972	324,909	325,756

- (1) Preferred Care, Inc. leases 25 skilled nursing properties under two master leases and one skilled nursing property under a separate lease agreement. In addition, they operate seven skilled nursing properties securing six mortgage loans receivable we have with unrelated third parties and one mortgage loan receivable we have with Preferred Care. They also operate one skilled nursing facility under a sub-lease with another lessee we have which is not included in the Preferred Care operator mix.

23

[Table of Contents](#)

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

	Three Months Ended				
	6/30/09	3/31/09	12/31/08	9/30/08	6/30/08
Debt to book capitalization ratio	5.3%(1)	7.3%	7.4%	7.4%	7.4%
Debt & Preferred Stock to book capitalization ratio	44.1%(1)	45.2%	45.5%	45.3%	45.2%
Debt to market capitalization ratio	3.8%(1)	5.9%(4)	5.4%(4)	4.2%(6)	4.6%
Debt & Preferred Stock to market capitalization ratio	29.5%(1)	32.8%(4)	30.1%(4)	23.0%(6)	26.8%
Interest coverage ratio	18.7x(2)	17.7x(3)	15.4x(5)	17.1x(2)	15.0x
Fixed charge coverage ratio	3.3x	3.4x	3.1x	3.2x	3.3x

- (1) Decrease primarily due to the repayment of \$15.8 million on two mortgage loans secured by 10 assisted living properties located in various states.
- (2) Increase primarily due to decrease in interest expense relating to the repayment of debt.
- (3) Increase primarily due to increases in rental income resulting from lease restructuring and one-time interest income resulting from the prepayment of a mortgage loan.
- (4) Increase primarily due to the decrease in market capitalization.
- (5) Decrease is due primarily to non-payment of rental income and mortgage interest income from affiliates of Sunwest Management, Inc., loan pay-offs and lower invested cash balances at lower interest rates, partially offset by lower interest expense due to debt paid off in 2008. Additionally in the fourth quarter of 2008, we incurred \$0.6 million of one-time charges related primarily to lease/loan defaults and terminated transactions.
- (6) Decrease primarily due to increase in market capitalization.

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

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

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

24

Operating Results

Three months ended June 30, 2009 compared to three months ended June 30, 2008

Revenues for the three months ended June 30, 2009 decreased to \$17.4 million from \$17.9 million for the same period in 2008 primarily due to decreases in interest income from mortgage loans and decreases in interest and other income partially offset by increases in rental income, as discussed below. Rental income for the three months ended June 30, 2009 increased \$0.3 million from the same period in 2008 primarily as a result of increases provided for in existing lease agreements. Same store cash rental income, properties owned for the three months ended June 30, 2009 and 2008, increased \$0.3 million due to rental increases provided for in existing lease agreements.

Interest income from mortgage loans for the three months ended June 30, 2009 decreased \$0.5 million from the same period in 2008 primarily due to payoffs and the conversion of a mortgage loan to an owned property in the fourth quarter of 2008 resulting from the non-payment of interest income from affiliates of Sunwest Management, Inc., as described in *Note 6. Real Estate Investments* to our consolidated financial statements included in our Annual Report on Form 10-K as amended by our Current Report on Form 8-K dated June 30, 2009 for the year ended December 31, 2008.

Interest and other income for the three months ended June 30, 2009 decreased \$0.3 million from the same period in 2008 primarily due to lower interest income from our investments of cash resulting from lower interest rates and lower cash balances.

Interest expense for the three months ended June 30, 2009 was \$0.3 million lower than the same period in 2008 due to a decrease in average debt outstanding during the period resulting from the repayment of a mortgage loan and normal amortization of existing mortgage loans.

Depreciation and amortization expense was comparable for each of the three months ended June 30, 2009 and 2008.

Provisions for doubtful accounts increased \$0.2 million due to an increase in straight-line rent receivable reserve.

Operating and other expenses were \$0.3 million higher in the three months ended June 30, 2009 as compared to the same period in 2008 primarily due to an increase in legal and accounting fees related to the new accounting rules effective January 1, 2009, property tax expenses paid on behalf of one of our operators and the timing of certain expenditures.

Net income allocable to common stockholders for the three months ended June 30, 2009 decreased \$0.6 million from the same period in 2008 due to the changes previously described above.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

Revenues for the six months ended June 30, 2009 decreased to \$35.1 million from \$35.7 million for the same period in 2008 primarily due to decreases in interest income from mortgage loans and decreases in interest and other income partially offset by increases in rental income, as discussed below. Rental income for the six months ended June 30, 2009 increased \$0.7 million from the same period in 2008 primarily as a result of increases provided for in existing lease agreements. Same store cash rental income, properties owned for the six months ended June 30, 2009 and 2008, increased \$0.7 million due to rental increases provided for in existing lease agreements.

Interest income from mortgage loans for the six months ended June 30, 2009 decreased \$0.8 million from the same period in 2008 primarily due to payoffs and the conversion of a mortgage loan to an owned property in the fourth quarter of 2008 resulting from the non-payment of interest income from affiliates of Sunwest Management, Inc., as described in *Note 6. Real Estate Investments* to our consolidated financial statements included in our Annual Report on Form 10-K as amended by our Current Report on Form 8-K dated June 30, 2009 for the year ended December 31, 2008.

Interest and other income for the six months ended June 30, 2009 decreased \$0.6 million from the same period in 2008 primarily due to lower interest income from our investments of cash resulting from lower interest rates and lower cash balances.

Interest expense for the six months ended June 30, 2009 was \$0.6 million lower than the same period in 2008 due to a decrease in average debt outstanding during the period resulting from the repayment of a mortgage loan and normal amortization of existing mortgage loans.

Depreciation and amortization expense was comparable for each of the six months ended June 30, 2009 and 2008.

Provisions for doubtful accounts increased \$0.4 million due to an increase in straight-line rent receivable reserve.

Operating and other expenses were \$0.2 million higher in the six months ended June 30, 2009 as compared to the same period in 2008 primarily due to an increase in legal and accounting fees related to the new accounting rules effective January 1, 2009, property tax expenses paid on behalf of one of our operators and the timing of certain expenditures.

Net income allocable to common stockholders for the six months ended June 30, 2009 decreased \$0.9 million from the same period in 2008 primarily due to the changes previously described above and the decrease in allocating income from our preferred stockholders related to the repurchase of preferred stock for less than redemption value in accordance with EITF Topic No. D-42, *“The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock”* (or EITF Topic No. D-42), partially offset by the decrease in preferred stock dividends related to the preferred stock buyback.

Liquidity and Capital Resources

Operating Activities:

At June 30, 2009, our real estate investment portfolio (before accumulated depreciation and amortization) consisted of \$504.4 million invested primarily in owned long-term healthcare properties and mortgage loans of approximately \$74.3 million (prior to deducting a \$0.7 million reserve). Our portfolio consists of direct investments (properties that we either own or on which we hold promissory notes secured by first mortgages) in 100 skilled nursing properties, 101 assisted living properties and two schools. These properties are located in 30 states. For the six months ended June 30, 2009, we had net cash provided by operating activities of \$29.5 million.

For the six months ended June 30, 2009 we recorded \$2.2 million in straight-line rent in accordance with Statement of Financial Accounting Standard No. 13, "Accounting for Leases" (or SFAS No. 13). We currently expect that straight-line rent on a same store basis will decrease from \$4.1 million for projected annual 2009 to \$2.4 million for projected annual 2010 assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio. Conversely our cash rental income is projected to increase from \$56.5 million for projected annual 2009 to \$58.8 million for projected annual 2010 assuming no modification or replacement of existing leases and no new leased investments are added to our portfolio. Also during the six months ended June 30, 2009, we recorded an additional reserve of \$0.4 million on our straight-line rent receivable. During the six months ended June 30, 2009 we received \$28.1 million of cash rental revenue and recorded \$0.3 million of amortized lease inducement cost.

[Table of Contents](#)

Investing and Financing Activities:

For the six months ended June 30, 2009, we received \$2.5 million of cash from investing activities. We invested \$1.3 million, at an average yield of 10.7%, under agreements to expand and renovate five existing properties operated by four different operators. Additionally, we invested \$0.5 million in capital improvements to existing properties under various lease agreements whose rental rates already reflected this investment.

During the six months ended June 30, 2009, we invested \$0.2 million under one existing mortgage loan for capital improvements. Additionally, we received \$4.2 million in principal payments on mortgage loans including \$2.0 million related to the payoff of one mortgage receivable secured by a skilled nursing property.

For the six months ended June 30, 2009, we used \$39.0 million of cash in financing activities. We paid \$0.8 million in scheduled principal payments on mortgage loans and bonds payable. Also, we paid \$15.8 million related to the payoff of two mortgage loans secured by 10 assisted living properties. The retired debt bore a weighted average interest rate of 8.81%. Subsequent to June 30, 2009, we paid \$8.1 million on a mortgage loan secured by one assisted living property located in California that bore an interest rate of 8.43%.

We paid cash dividends on our Series C, Series E, and Series F preferred stocks totaling \$1.6 million, \$41,000 and \$5.9 million, respectively. Additionally, we declared and paid cash dividends on our common stock totaling \$18.1 million. In July 2009, we declared a monthly cash dividend of \$0.130 per common share per month for the months of July, August and September 2009, payable on July 31, August 31 and September 30, 2009, respectively, to stockholders of record on July 23, August 21 and September 22, 2009, respectively.

Our Board of Directors authorized a share repurchase program enabling us to repurchase up to 5,000,000 shares of our equity securities, including common and preferred securities. During the six months ended June 30, 2009, we invested \$2.0 million to repurchase a total of 109,484 shares of our 8.0% Series F Cumulative Preferred Stock (or Series F preferred stock) at an average cost of \$18.27 per share, including commissions. The Series F preferred stock has a liquidation value of \$25.00 per share. As required by EITF Topic No. D-42 the discounted purchase price on these shares, which is the liquidation value over the fair value, netted with the original issue discount has been added to net income in calculating net income allocable to common stockholders. After this purchase, 5,894,216 shares of our Series F preferred stock remained issued and outstanding. Also, during the six months ended June 30, 2009, we purchased on the open market and retired 900 shares of common stock for an aggregate purchase price of \$16,000 or \$17.33 per share, including commissions. Including the common stock repurchase and the preferred stock repurchase, we continue to have an open Board authorization to purchase an additional 3,360,237 shares in total of common and/or preferred stock.

During the six months ended June 30, 2009, holders of 900 shares of our 8.5% Series E Cumulative Convertible Preferred Stock (or Series E preferred stock) elected to convert such shares into 1,800 shares of our common stock at the Series E preferred stock conversion rate of \$12.50 per share. Total shares reserved for issuance of common stock related to conversion of Series E preferred stock were 75,632 at June 30, 2009.

[Table of Contents](#)

During 2008, we amended and extended our Unsecured Revolving Credit Agreement (or Unsecured Credit Agreement) at an initial commitment amount of \$80.0 million. The Unsecured Credit Agreement provides for the opportunity to increase the credit amount up to a total of \$120.0 million. The Unsecured Credit Agreement provides a revolving line of credit with no scheduled maturities other than the maturity date of July 17, 2011. The pricing under the Unsecured Credit Agreement based on our borrowing election is Prime Rate plus 0.50% or LIBOR plus 1.50%. At the time of borrowing, we may elect the 1, 2, 3 or 6 month LIBOR rate. Under financial covenants contained in the Unsecured Credit Agreement which are measured quarterly we are required to maintain, among other things:

- (v) a ratio, of total indebtedness to total asset value, not greater than .5 to 1.0,
- (vi) a ratio not greater than .35 to 1.0 of secured debt to total asset value
- (vii) a ratio not less than 2.5 to 1.0 of EBITDA to interest expense, and
- (viii) a ratio of not less than 1.50 to 1.0 of EBITDA to fixed charges.

At June 30, 2009, we had \$5.5 million outstanding borrowings under our Unsecured Credit Agreement with \$74.5 million available for borrowing. Subsequent to June 30, 2009, we paid \$2.5 million under the Unsecured Credit Agreement reducing the outstanding borrowing to \$3.0 million with \$77.0 million available for borrowing.

Available Shelf Registration:

During 2007, we filed a Form S-3 "shelf" registration statement which became effective August 7, 2007, and provides us with the capacity to offer up to \$300.0 million in our debt and/or equity securities. We currently have \$300.0 million of availability under our effective shelf registration. We may from time to time raise capital under our currently effective shelf registration or a new shelf registration by issuing, in public or private transactions, our equity and debt securities, but the availability and terms of such issuance will depend upon then prevailing market and other conditions.

Concurrent on the filing date of this Quarterly Report on Form 10-Q, we have entered into an equity distribution agreement with KeyBank Capital Markets Inc. under which we may issue and sell, from time to time, up to \$75.0 million in aggregate offering price of our common shares through KeyBank Capital Markets Inc. Sales, if any, of common shares will be made by means of ordinary brokers' transactions at market prices, in block transactions, or as otherwise agreed between us and KeyBank Capital Markets Inc.

Liquidity:

We expect our future income and ability to make distributions from cash flows from operations to depend on the collectibility of our rents and mortgage loans receivable. The collection of these loans and rents will be dependent, in large part, upon the successful operation by the operators of the skilled nursing properties, assisted

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

[Table of Contents](#)

Our investments, principally our investments in mortgage loans and owned properties, are subject to the possibility of loss of their carrying values as a result of changes in market prices, interest rates and inflationary expectations. The effects on interest rates may affect our costs of financing our operations and the fair market value of our financial assets. Generally our loans have predetermined increases in interest rates and our leases have agreed upon annual increases. Inasmuch as we may initially fund some of our investments with variable interest rate debt, we would be at risk of net interest margin deterioration if medium and long-term rates were to increase. As of June 30, 2009, only \$4.2 million of our debt was at a variable interest rate.

At June 30, 2009, we had \$14.1 million of cash on hand and \$74.5 million available on our \$80.0 million Unsecured Credit Agreement which matures July 17, 2011. Subsequent to June 30, 2009, we paid \$8.1 million on a mortgage loan secured by one assisted living property located in California. The retired debt bore an interest rate of 8.43%. Also, we paid \$2.5 million under our Unsecured Credit Agreement resulting in \$3.0 million being outstanding under our Unsecured Credit Agreement. In calendar year 2009, we have mortgage receivables of \$7.5 million maturing in November. We believe that our current cash balance, cash flow from operations available for distribution or reinvestment, and our current Unsecured Credit Agreement borrowing capacity are sufficient to provide for payment of our current operating costs, meet debt obligations, provide funds for distribution to the holders of our preferred stock and pay common dividends at least sufficient to maintain our REIT status and repay borrowings at, or prior to, their maturity. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. The current turmoil in the debt and equity markets preclude us from, at this time, being able to determine if there is availability of cost-effective capital for significant additional capital investments for the remainder of 2009.

Critical Accounting Policies

Revenue Recognition. Rental revenue is recorded in accordance with SFAS No. 13 and SEC Staff Bulletin No. 104 “Revenue Recognition” (or SAB 104). Base rents under operating leases are accrued as earned over the terms of the leases. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year. Rental revenues relating to leases that contain specified rental increases over the life of the lease are recognized on the straight-line basis when we believe that all of the rent related to a particular lease will be collected according to the terms of the lease. We will discontinue booking rent on a straight-line basis if the lessee becomes delinquent in rent owed under the terms of the lease and has been put on “non-accrual” status (i.e. we have stopped booking rent on an accrual basis for a particular lease because the collection of rent is uncertain). Once a lease is on “non-accrual” status, we will evaluate the collectibility of the related straight-line rent asset.

Interest on mortgage loans is recognized using the effective interest method. We consider a loan to be non-performing after 60 days of non-payment of amounts due and do not recognize unpaid mortgage interest income from that loan until the amounts have been received. If our evaluation of the collectibility of our mortgage loans receivable indicates we may not recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. This analysis requires us to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected.

If the collectibility of revenue is determined incorrectly, the amount and timing of our reported revenue could be significantly affected. If our evaluation indicates that collectibility is not reasonably assured we may place an investment on non-accrual status or reserve against all or a portion of current income as an offset to revenue. If our assumptions or estimates regarding the collectibility of future rent payments related to a lease change, we may have to record a reserve or write-off the existing related straight-line rent asset. The ultimate amount of straight-line rent we realize could be less than amounts recorded. If our assumptions or estimates regarding the collectibility of a mortgage loan receivable change in the future, we may have to record a reserve to reduce the carrying value of the mortgage loan receivable (see “Allowance for Loan Losses” below). During the six months ended June 30, 2009 and 2008, we recorded \$2.2 million and \$1.9 million, respectively, in straight-line rental income. Also during the six months ended June 30, 2009, we recorded an additional reserve of \$0.4 million on our straight-line rent receivable. At June 30, 2009 and December 31, 2008, the straight-line rent receivable balance, net of reserves, recorded on the balance sheet was \$15.7 million and \$13.9 million, respectively.

[Table of Contents](#)

Allowance for Loan Losses. Mortgage loans receivable are recorded on an amortized cost basis. We maintain a valuation allowance based upon the expected collectibility of our mortgage loans receivable. The allowance for loan losses is maintained at a level believed adequate to absorb potential losses in our loans receivable. Changes in the valuation allowance are included in current period earnings.

The determination of the allowance is based on a quarterly evaluation of all outstanding loans. If this evaluation indicates that there is a greater risk of loan charge-offs, additional allowances or placement on non-accrual status may be required. We evaluate the collectibility of our mortgage loans receivable based on a combination of factors, including, but not limited to, delinquency status, historical loan charge-offs, financial strength of the borrower and guarantors and the value of the underlying property. During the six months ended June 30, 2009 and 2008, we recorded a \$20,000 and \$10,000, respectively, decrease in our allowance for loan loss reserve resulting from loan payoffs and regularly scheduled principal payments. The allowance for loan losses balance was \$0.7 million and \$0.8 million at June 30, 2009 and December 31, 2008, respectively.

Impairment of Long-Lived Assets. We review our long-lived assets for potential impairment in accordance with SFAS No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets.” Impairment losses are recorded when events or changes in circumstances indicate the asset is impaired and the estimated undiscounted cash flows to be generated by the asset are less than its carrying amount. Management assesses the impairment of properties individually and impairment losses are calculated as the excess of the carrying amount over the fair value of assets to be held and used, and the carrying amount over the fair value less cost to sell in instances where management has determined that we will dispose of the property. In determining fair value, we use current appraisals or other third party opinions of value and other estimates of fair value such as estimated discounted future cash flows.

In accordance with SFAS No. 114 “Accounting by Creditors for Impairment of a Loan” we evaluate the carrying values of mortgage loans receivable on an individual basis. Management periodically evaluates the realizability of future cash flows from the mortgages when events or circumstances, such as the non-receipt of principal and interest payments and/or significant deterioration of the financial condition of the borrower, indicate that the carrying amount of the mortgage loan receivable may not be recoverable. An impairment charge is recognized in current period earnings and is calculated as the difference between the carrying amount of the mortgage loan receivable and the discounted cash flows expected to be received, or if foreclosure is probable, the fair value of the collateral securing the mortgage.

This analysis requires us to determine if indicators of impairment exist and to estimate the most likely stream of cash flows to be generated by the asset (if the asset is going to be held) or the fair value less estimated cost to sell (if the asset is going to be sold). If our assumptions, projections or estimates regarding an asset change in the future, we may have to record an impairment charge to reduce or further reduce the net book value of such asset. During the six months ended June 30, 2009 and 2008, we did not recognize any impairment charges.

Depreciation and Useful Lives. Land, buildings and improvements are recorded at the lower of depreciated cost or fair value. The allocation of the cost between land and building, and the determination of the useful life of a property are based on management's estimates. We calculate depreciation on our buildings and improvements using the straight-line method based on estimated useful lives generally ranging from 35 to 40 years for buildings, three to 15 years for improvements and three to seven years for equipment. We review and adjust useful lives periodically. If we do not allocate appropriately between land and building or we incorrectly estimate the useful lives of our assets, our computation of depreciation and amortization will not appropriately reflect the usage of the assets over future periods. If we overestimate the useful life of an asset, the depreciation expense related to the asset will be understated, which could result in an impairment charge in the future. For each of the six months ended June 30, 2009 and 2008, we recorded depreciation and amortization expense of \$7.4 million.

[Table of Contents](#)

For further discussion of our critical accounting policies, see *Item 8. FINANCIAL STATEMENT—Note 2. Summary of Significant Accounting Policies* in our Annual Report filed on Form 10-K for the year ended December 31, 2008.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our market risk during the three and six months ended June 30, 2009. For additional information, refer to Item 7A as presented in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. CONTROLS AND PROCEDURES

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

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

[Table of Contents](#)

PART II

OTHER INFORMATION

Statement Regarding Forward Looking Disclosure

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, adopted pursuant to the Private Securities Litigation Reform Act of 1995. Statements that are not purely historical may be forward-looking. You can identify some of the forward-looking statements by their use of forward-looking words, such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates," or the negative of those words or similar words. Forward-looking statements involve inherent risks and uncertainties regarding events, conditions and financial trends that may affect our future plans of operation, business strategy, results of operations and financial position. A number of important factors could cause actual results to differ materially from those included within or contemplated by such forward-looking statements, including, but not limited to, the status of the economy, the status of capital markets (including prevailing interest rates), and our access to capital; the income and returns available from investments in health care related real estate, the ability of our borrowers and lessees to meet their obligations to us, our reliance on a few major operators; competition faced by our borrowers and lessees within the health care industry; regulation of the health care industry by federal, state and local governments, compliance with and changes to regulations and payment policies within the health care industry, debt that we may incur and changes in financing terms, our ability to continue to qualify as a real estate investment trust, the relative illiquidity of our real estate investments, potential limitations on our remedies when mortgage loans default, and risks and liabilities in connection with properties owned through limited liability companies and partnerships. For a discussion of these and other factors that could cause actual results to differ from those contemplated in the forward-looking statements, please see the discussion under "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and in our publicly available filings with the Securities and Exchange Commission. We do not undertake any responsibility to update or revise any of these factors or to announce publicly any revisions to forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The number of shares of our Common Stock purchased and the average prices paid per share for each month in the quarter ended June 30, 2009 are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plan (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plan
April 1 – April 30, 2009	900	\$ 17.30	900	3,360,237
May 1 – May 31, 2009	—	\$ —	—	3,360,237
June 1 – June 30, 2009	—	\$ —	—	3,360,237
Total (c)	900		900	

- (a) The average price paid per share reflected in the table does not include any commissions paid by us in connection with the repurchase of stock. Since inception of our existing share repurchase program through June 30, 2009, we had repurchased 893,979 shares of our common stock at an average cost of \$21.01 per share, including commissions, for an aggregate purchase price including commissions paid of \$18,783,000 and 745,784 shares of our Series F preferred stock at an average cost of \$21.83 per share, including commissions, for an aggregate purchase price including commissions paid of \$16,277,000. We continue to have an open Board authorization to purchase an additional 3,360,237 shares.
- (b) Our Board of Directors authorized a share repurchase program enabling us to repurchase up to 5,000,000 shares of our equity securities, including common and preferred securities, on the open market. This authorization does not expire until 5,000,000 shares of our equity securities have been repurchased or the Board of Directors terminates its authorization.
- (c) All shares were repurchased pursuant to our existing share repurchase program. Since inception of our existing share repurchase program through June 30, 2009, we had repurchased 893,979 shares of our common stock at an average price of \$20.96 per share, excluding commissions, for an aggregate purchase price excluding commissions paid of \$18,738,000 and 745,784 shares of our Series F preferred stock at an average price of \$21.80 per share, excluding commissions, for an aggregate purchase price excluding commissions paid of \$16,255,000. We continue to have an open Board authorization to purchase an additional 3,360,237 shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on May 15, 2009 (Annual Meeting) in Westlake Village, California. At the Annual Meeting, the following matters were considered and voted upon:

Proposal No. 1: To elect five directors to serve on the Board of Directors for the ensuing year or until the election and qualification of their respective successors.

33

At the Annual Meeting, Andre C. Dimitriadis, Boyd Hendrickson, Edmund C. King, Wendy Simpson and Timothy J. Triche, M.D. were re-elected as directors to serve for a one-year term until the 2010 Annual Meeting of Stockholders. Voting at the Annual Meeting for Proposal No. 1 was as follows:

Director Nominee	Votes Cast For	Votes Against
Andre C. Dimitriadis	19,559,423	2,347,345
Boyd W. Hendrickson	19,014,102	2,892,666
Edmund C. King	21,346,377	560,391
Wendy L. Simpson	21,175,793	730,975
Timothy J. Triche, M.D.	21,539,226	367,542

Proposal No. 2: To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2009.

At the Annual Meeting, our stockholders approved this proposal by the votes indicated below:

Votes Cast For	Votes Against	Abstentions	Broker Non-Votes
21,506,173	339,189	60,954	452

Item 5. Other Information

On August 3, 2009, we amended Section 5.01 of our bylaws to provide for the transfer of uncertificated shares in the event the Board elects to participate in the Depository Trust Company's direct registration system. Section 5.01 as amended now provides as follows:

5.01. CERTIFICATES OF STOCK. Except as otherwise provided in these Bylaws, this Section 5.01 and the other sections of Article V of these Bylaws shall not be interpreted to limit the authority of the Board of Directors to authorize the issuance of some or all of the Shares of any or all classes or series of the Company's Stock without certificates. Each Stockholder shall be entitled to a certificate for the Shares of Stock of the Corporation held by such Stockholder, other than Shares of such Stock issued without certificates pursuant to authorization of the Board of Directors, in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman, President, or any Vice President and countersigned by the Treasurer, Secretary, or any Assistant Treasurer or Assistant Secretary. The Corporation seal and the signatures by Corporation officers may be facsimile if the certificate is manually countersigned by an authorized person on behalf of a transfer agent or registrar other than the Corporation or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if

[Table of Contents](#)

Item 6. Exhibits

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|------|---|
| 3.1 | LTC Properties, Inc. Articles of Restatement* |
| 3.2 | Bylaws of LTC Properties, Inc., as amended and restated* August 3, 2009 |
| 10.1 | Form of Indemnity Agreement dated as of July 30, 2009 between LTC Properties, Inc. and its Directors and Officers |
| 10.2 | Equity Distribution Agreement, dated August 5, 2009, between LTC Properties, Inc. and KeyBanc Capital Markets Inc. (incorporated by reference to Exhibit 1.1 to LTC Properties, Inc.'s Current Report on Form 8-K filed August 5, 2009) |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

* The exhibit is a complete version of prior restated and amended provisions. This approach provides the governance documents in a single exhibit for SEC filings. LTC Properties, Inc. did not enter into any new amendment or restatement in connection with providing this complete copy.

[Table of Contents](#)

SIGNATURES

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

LTC PROPERTIES, INC.
Registrant

Dated: August 5, 2009

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

LTC PROPERTIES, INC.

ARTICLES OF RESTATEMENT

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

ARTICLE I: The Corporation desires to and does hereby restate in its entirety the charter of the Corporation (the "Charter") as currently in effect pursuant to Section 2-608 of the MARYLAND GENERAL CORPORATION LAW (the "MGCL").

ARTICLE II: The following provisions, together with the provisions of the Articles Supplementary relating to the 8.5% Series C Cumulative Convertible Preferred Stock of the Corporation attached hereto as Appendix I, the Articles Supplementary relating to the 8.5% Series E Cumulative Convertible Preferred Stock of the Corporation attached hereto as Appendix II and the Articles Supplementary relating to the 8% Series F Cumulative Preferred Stock of the Corporation attached hereto as Appendix III and Appendix IV, all of which are incorporated herein by reference, are all the provisions of the Charter currently in effect, as restated herein:

FIRST: INCORPORATION.

The Corporation was incorporated under the general laws of the State of Maryland on May 12, 1992.

SECOND: NAME.

The name of the Corporation is:

LTC PROPERTIES, INC.

THIRD: PURPOSE.

The purpose for which the Corporation is formed and the business or objects to be carried on and promoted by it within the State of Maryland or elsewhere, is to engage in any lawful act or activity for which corporations may be formed under the Maryland General Corporation Law.

Without limiting the generality of such purpose, business and objects, at such time or times as the Board of Directors of the Corporation determines that it is in the interests of the Corporation and its Stockholders that the Corporation engage in the business of, and conduct its business and affairs so as to qualify as, a real estate investment trust (as that phrase is defined in the Internal Revenue Code of 1986 ("Code") as the same may be amended), then the purpose of the Corporation shall be to engage in the business of such a real estate investment trust ("REIT"); but this reference to such purpose shall not make unlawful or unauthorized any otherwise lawful act or activity that the Corporation may take that is inconsistent with such purpose.

FOURTH: PRINCIPAL OFFICE ADDRESS.

The Address of the principal office of the Corporation in the State of Maryland is c/o CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202.

FIFTH: RESIDENT AGENT.

The Resident Agent of the Corporation is CSC-Lawyers Incorporating Service Company, whose address is 7 St. Paul Street, Suite 1660, Baltimore, Maryland 21202. Said Resident Agent is a Maryland corporation.

SIXTH: BOARD OF DIRECTORS.

6.1 The Corporation shall have a Board of Directors consisting of six (6) Directors, which number may be increased or decreased in accordance with the Bylaws of the Corporation from time to time, but shall not be less than the number required by Section 2-402 of the Maryland General Corporation Law, as may be amended from time to time.

6.2 The names of the Directors currently in office are: Andre C. Dimitriadis, Wendy L. Simpson, Edmund C. King, Dr. Timothy J. Triche, Boyd W. Hendrickson and Devra G. Shapiro.

SEVENTH: AUTHORIZED CAPITAL STOCK.

7.1 The total number of shares of stock of all classes which the Corporation has authority to issue is Sixty Million (60,000,000) shares, each share having a par value of \$.01, of which Forty-Five Million (45,000,000) shares shall be Common Stock (or shares of one or more classes of "Excess Common Shares" as provided in Section 9.3 hereof), and Fifteen Million (15,000,000) shares shall be Preferred Stock (or shares of one or more classes of "Excess Preferred Shares" as provided in Section 9.3). The Board of Directors may issue the preferred stock in one or more series consisting of such numbers of shares and having such preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of stock as the Board of Directors may from time to time determine when designating such series.

7.2 The Board of Directors may classify or reclassify any unissued stock from time to time by setting or changing the preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications, and terms and conditions of redemption of stock.

7.3 The Board of Directors may authorize the issuance from time to time of shares of stock of any class, whether now or hereafter authorized, or securities or rights convertible into shares of stock, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a share split or

dividend), subject to such restrictions or limitations, if any, as may be set forth in the Bylaws of the Corporation.

EIGHTH: LIMITATION ON PREEMPTIVE RIGHTS.

No Stockholder of the Corporation shall have any preferential or preemptive right to acquire additional shares of Stock of the Corporation of the same or any other class of Stock except to the extent that, and on such terms as, the Board of Directors from time to time may determine.

NINTH: LIMITATIONS ON OWNERSHIP.

Section 9.1 Stockholder Information. Each Stockholder shall upon demand of the Corporation disclose to the Corporation in writing such information with respect to direct and indirect ownership of shares owned (or deemed to be owned, after applying rules referred to in Subsection 9.3.1 and any other rules applicable to REITs under the REIT Provisions of the Code) as the Board of Directors in its discretion deems reasonably necessary or appropriate in order that the Corporation may fully comply with all provisions of the Code applicable to REITs, and all regulations, rulings and cases promulgated or decided thereunder ("REIT Provisions of the Code") or to comply with the requirements of any taxing authority or governmental agency.

Section 9.2 Transferee Information. Whenever the Board of Directors deems it reasonably necessary to protect the tax status of the Corporation as a REIT, the Board of Directors may require a statement or affidavit from each Stockholder or proposed transferee of Stock setting forth the number of shares of Stock of each class already owned (actually or beneficially) by such proposed transferee and any related person specified in the form reasonably prescribed by the Board of Directors for that purpose. If, in the opinion of the Board of Directors, any proposed transfer may jeopardize the qualification of the Corporation as a REIT, the Board of Directors may refuse to permit the transfer of such Stock to the proposed transferee. All contracts for the sale or other transfer of Stock shall be subject to this provision.

Section 9.3 Limit on Ownership; Excess Shares.

9.3.1 Except as otherwise provided by Subsection 9.3.6, no person shall at any time directly or indirectly acquire or hold beneficial ownership in the aggregate of more than the percentage limit ("Limit") set forth in Subsection 9.3.2 of the outstanding Stock of any class of the Corporation. Such shares of Stock held by a Stockholder over the Limit, including any

shares of Stock that would exceed the Limit if Stock was redeemed in accordance with Section 9.3.5 (but excluding any shares exempted by the Board of Directors in accordance with Section 9.3.6), are herein referred to as "Excess Common Shares" if originally shares of Common Stock and as "Excess Preferred Shares" if originally shares of Preferred Stock and collectively as "Excess Shares". For purposes of this Section 9.3 a person shall be deemed to be the beneficial owner of the Stock that such person (i) actually owns, (ii) constructively owns after applying the rules of Section 544 of the Code as modified in the case of a REIT by Sections 856(a)(6) and Section 856(h) of the Code, and (iii) has the right to acquire upon exercise of outstanding rights, options and warrants, and upon conversion of any securities convertible into Stock, if any, if such inclusion will cause such person to own more than the Limit.

9.3.2 For purposes of this Section 9.3:

9.3.2.1 The Limit shall be the number of shares of Common Stock that equals 9.8% of the number of then outstanding shares of Common Stock.

9.3.2.2 The Limit of shares of any class or series of Stock other than Common Stock (and other than Excess Shares) shall be the number of shares of such class that equals 9.8% of the number of then outstanding shares of such class or series.

9.3.3 Upon shares of any class or series of Stock becoming Excess Shares as defined in this Section 9.3, such shares shall be deemed automatically to have been converted into a class separate and distinct from the class or Series From which converted and from any other class of Excess Shares, each such class being designated "Excess Shares of (Name of Stockholder)". The voting, distribution, redemption and other characteristics of such class of Excess Shares are as set forth in this Article IX. Upon any shares that have become Excess Shares ceasing to be Excess Shares as defined in this Section 9.3, such shares if then still outstanding shall be deemed automatically to have been reconverted back into shares of the class or series of Stock from which they were originally converted.

9.3.4 No Stockholder may vote any Excess Shares held by such Stockholder, and Excess Shares shall not be considered outstanding for the purpose of determining a quorum at any meeting of Stockholders. The Corporation, at the direction of the Board of Directors, in its sole discretion, may choose to accumulate all distributions and dividends payable upon the Excess Shares of any particular Stockholder in a non-interest bearing escrow account the proceeds of which shall be payable to the holder of the Excess Shares only at such time as such Stock ceases to be Excess Shares.

9.3.5 The Corporation, upon authorization by the Board of Directors, by notice to the holder thereof, may redeem any or all Shares that are Excess Shares (including Shares that remain or become Excess Shares because of the decrease in outstanding shares resulting from such redemption); and from and after the date of giving such notice of redemption ("redemption date") the shares called for redemption shall cease to be outstanding and the holder thereof shall cease to be entitled to dividends, voting rights and other benefits with respect to such Shares excepting only the right to payment by the Corporation of the redemption price determined and payable as set forth in the following two sentences. Subject to the limitation on payment set forth in the following sentence, the redemption price of each Excess Share called for redemption

shall be the average daily per share closing sales price of a share of Stock of the class of the Corporation from which such Excess Share was converted if shares of such class are listed on a national securities exchange or on the National Association of Securities Dealers Automated Quotation National Market System, and if such shares are not so listed shall be the mean between the average per share closing bid prices and the average per share closing asked prices, in each case during the 30 day period ending on the business day prior to the redemption date, or if there have been no sales on a national securities exchange or on the National Association of Securities Dealers Automated Quotation National Market System and no published bid and asked quotations with respect to shares of such class during such 30 day period, the redemption price shall be the price determined by the Board of Directors in good faith. Unless the Board of Directors determines that it is in the interest of the Corporation to make earlier payment of all of the amount determined as the redemption price per share in accordance with the preceding sentence, the redemption price shall be payable only upon the liquidation of the Corporation and shall not exceed an amount which is the sum of the per share distributions designated as liquidating distributions and return of capital distributions declared subsequent to the redemption date with respect to unredeemed shares of record of the class of the Corporation from which such Excess Share was converted, and no interest shall accrue with respect to the period subsequent to the redemption date to the date of such payment; provided, however, that in the event that within 30 days after the redemption date the person from whom the Excess Shares have been redeemed sells (and notifies the Corporation of such sale) a number of the remaining shares owned by him of the class of Stock from which his Excess Shares were converted at least equal to the number of such Excess Shares (and such sale is to a Person in whose hands the shares sold would not be Excess Shares), then the Corporation shall rescind the redemption of the Excess Shares if following such rescission such Person would not be the holder of

Excess Shares, except that if the Corporation receives an opinion of its counsel that such rescission would jeopardize the tax status of the Corporation as a REIT or would be unlawful in any regard, then the Corporation shall in lieu of rescission make immediate payment of the redemption price.

9.3.6 Shares described in this Section 9.3.6 shall not be deemed to be Excess Shares at the times and subject to the terms and conditions set forth in this Section 9.3.6.

9.3.6.1 Subject to the provisions of Subsection 9.3.7, Shares acquired and held by an underwriter in a public offering of shares, or in a transaction involving the issuance of shares by the Corporation in which the Board of Directors determines that the underwriter or other person or party initially acquiring such shares will make a timely distribution of such shares to or among other holders such that, following such distribution, none of such shares will be Excess Shares.

9.3.6.2 Subject to the provisions of Subsection 9.3.7, Shares which the Board of Directors in its sole discretion may exempt from the Limit while owned by a person who has provided the Corporation with evidence and assurances acceptable to the Board that the qualification of the Corporation as a REIT would not be jeopardized thereby.

9.3.6.3 Shares acquired pursuant to an all cash tender offer made for all outstanding Shares of the Corporation (including securities convertible into Shares) in conformity with applicable federal and state securities laws where two-thirds of the outstanding Shares (not including Shares or securities convertible into Shares held by the

5

tender offerer and/or any “affiliates” or “associates” thereof within the meaning of the Securities Exchange Act) are duly tendered and accepted pursuant to the cash tender offer, provided that the person acquiring such shares pursuant to such tender offer has obligated itself as soon as practicable after the acquisition of such shares (through a second-step merger or otherwise) to permit each Stockholder of the Corporation who did not accept such tender offer to sell all shares held by such Stockholder to such person (or an affiliate of such person) at a cash price per share not less than that paid pursuant to the tender offer.

9.3.7 The Board of Directors, in its sole discretion, may at any time revoke any exception in the case of any Stockholder pursuant to Subsection 9.3.6.1 or 9.3.6.2, and upon such revocation, the provisions of Subsections 9.3.4 and 9.3.5 shall immediately become applicable to such Stockholder and all shares of which such Stockholder may be the beneficial owner. The decision to exempt or refuse to exempt from the Limit ownerships of certain designated shares of Stock, or to revoke an exemption previously granted, shall be made by the Board of Directors at its sole discretion, based on any reason whatsoever, including but not limited to, the preservation of the Corporation’s qualification as a REIT.

9.3.8 Notwithstanding any other provision of these Articles of Restatement to the contrary, any purported acquisition of Stock of the Corporation that would result in the disqualification of the Corporation as a REIT shall be null and void.

9.3.9 In applying the provisions of this Section 9.3, the Board of Directors may take into account the lack of certainty in the REIT Provisions of the Code relating to the ownership of stock that may prevent a corporation from qualifying as a REIT and may make interpretations concerning the Limit and Excess Shares and attributed ownership and related matters on as conservative basis as the Board of Directors deems advisable to minimize or eliminate uncertainty as to the Corporation’s qualification or continued qualification as a REIT.

9.3.10 Nothing contained in this Section 9.3 or in any other provision of these Articles of Restatement shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of the Stockholders by preservation of the Corporation’s qualification as a REIT under the REIT Provisions.

9.3.11 If any provision of this Section 9.3 or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issue, the validity of the remaining provisions of this Section 9.3 shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court. To the extent this Section 9.3 may be inconsistent with any other provision of these Articles of Restatement Section 9.3 shall be controlling.

9.3.12 NYSE. Nothing in Section 9.3.8 or 9.3.10 or elsewhere in this Section 9.3 shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange (the “NYSE”). However, the shares of stock that are the subject of such transactions, and the transferee of such shares of stock shall continue to be subject to Section 9.3 of the Articles of Incorporation after such settlement.

6

TENTH: RIGHTS AND POWERS OF THE CORPORATION AND THE BOARD OF DIRECTORS.

In carrying on its business, or for the purpose of attaining or furthering any of its objects, the Corporation shall have all of the rights, powers and privileges granted to corporations by the laws of the State of Maryland, as well as the power to do any and all acts and things that a natural person or partnership could do as now or hereafter authorized by law, either alone or in partnership or conjunction with others. In furtherance and not in limitation of the powers conferred by statute, the powers of the Corporation and of the Directors and Stockholders shall include the following:

10.1 Any Director individually, or any firm of which any Director may be a member, or any corporation or association of which any Director may be an officer or director or in which any Director may be interested as the holder of any amount of its capital stock or otherwise, may be a party to, or may be pecuniarily or otherwise interested in, any contract or transaction of the Corporation, and, in the absence of fraud, no contract or other transaction shall be thereby affected or invalidated; provided, however, that either (i) such fact shall be disclosed or shall have been known to whomsoever among the Board of Directors (or Stockholders of the Corporation entitled to vote) approved such contract or transaction by majority vote, or (ii) the contract or transaction is fair and reasonable to the Corporation. Any Director of the Corporation who is also a director or officer of or interested in such other corporation or association, or who, or the firm of which he is a member, is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall authorize any such contract or transaction, with like force and effect as if he were not such a director or officer of such other corporation or association or were not so interested or were not a member of a firm so interested.

10.2 The Corporation reserves the right, from time to time, to make any amendment to its Charter, now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set forth in its Charter, of any outstanding Stock.

10.3 Except as otherwise provided in the Charter or Bylaws of the Corporation, as from time to time amended, the business of the Corporation shall be managed by its Board of Directors. The Board of Directors shall have and may exercise all the rights, powers and privileges of the Corporation except only for those that are by

law, the Charter and Bylaws of the Corporation, conferred upon or reserved to the Stockholders. Additionally, the Board of Directors of the Corporation is hereby specifically authorized and empowered from time to time in its discretion:

10.3.1 To borrow and raise money, without limit and upon any terms, for any corporate purposes; and, subject to applicable law, to authorize the creation, issuance, assumption, or guaranty of bonds, debentures, notes, or other evidences of indebtedness for money so borrowed, to include therein such provisions as to redeemability, convertibility, or otherwise, as the Board of Directors, in its sole discretion, determines, and to secure the payment of principal, interest, or sinking fund in respect thereof by mortgage upon, or the pledge of, or the conveyance or assignment in trust of, all or any part of the properties, assets, and goodwill of the Corporation then owned or thereafter acquired;

7

10.3.2 To make, alter, amend, change, add to or repeal the Bylaws of the Corporation, except as otherwise may be provided herein; and

10.3.3 To the extent permitted by law, to declare and pay dividends or other distributions to the Stockholders from time to time out of the earnings, earned surplus, paid-in surplus or capital of the Corporation, notwithstanding that such declaration may result in the reduction of the capital of the Corporation. In connection with any dividends or other distributions upon the Stock, the Corporation need not reserve any amount from such dividend or other distributions to satisfy any preferential rights of any Stockholder.

ELEVENTH: LIMITATION OF DIRECTOR AND OFFICER LIABILITY.

To the full extent permitted under the Maryland General Corporation Law as in effect on the date hereof, or as hereafter from time to time amended, no Director or officer shall be liable to the Corporation or to its Stockholders for money damages for any breach of any duty owed by such Director or officer to the Corporation or any of its Stockholders. Neither the amendment or repeal of this Article, nor the adoption of any provision in the Corporation's Charter inconsistent with this Article, shall eliminate or reduce the protection afforded by this Article to a Director or officer or former Director or officer of the Corporation with respect to any matter which occurred, or any cause of action, suit or claim which accrued or arose, prior to such amendment, repeal or adoption.

TWELFTH: INDEMNIFICATION.

To the full extent permitted by Section 2-418 of the Maryland General Corporation Law as in effect on the date hereof, or as hereafter from time to time amended, the Corporation shall indemnify present and former Directors of the Corporation and shall have the power to indemnify, by express provision in its Bylaws, by Agreement, or by majority vote of either its Stockholders or disinterested Directors, any one or more of the following classes of individuals: (1) present or former officers of the Corporation, (2) present or former agents and/or employees of the Corporation, (3) present or former administrators, trustees or other fiduciaries under any pension, profit sharing, deferred compensation, or other employee benefit plan maintained by the Corporation, and (4) persons serving or who have served at the request of the Corporation in any of these capacities for any other corporation, partnership, joint venture, trust or other enterprises. However, the Corporation shall not have the power to indemnify any person to the extent such indemnification would be contrary to Section 2-418 of the Maryland General Corporation Law or any applicable statute, rule or regulation of similar import.

ARTICLE III: These Articles of Restatement do not amend the Charter.

ARTICLE IV: Under Section 2-608(c) of the MGCL, upon any restatement of the Charter, the Corporation may omit from such restatement all provisions thereof that relate solely to a class of stock if, at the time, there are no shares of the class outstanding and the Corporation has no authority to issue any shares of such class. There are no

8

shares of the Corporation's 9.5% Series A Cumulative Preferred Stock (the "Series A Preferred Stock"), 9% Series B Cumulative Preferred Stock (the "Series B Preferred Stock") or Series D Junior Participating Preferred Stock (the "Series D Preferred Stock") outstanding and the Corporation has no authority to issue any shares of Series A Preferred Stock, Series B Preferred Stock or Series D Preferred Stock. All Charter provisions that relate solely to the Corporation's Series A Preferred Stock, Series B Preferred Stock and Series D Preferred Stock have been omitted from the foregoing restatement of the Charter.

ARTICLE V: The foregoing restatement of the Charter has been approved by a majority of the entire Board of Directors.

ARTICLE VI: The current address of the principal office of the Corporation is as set forth in Article FOURTH of the foregoing restatement of the Charter.

ARTICLE VII: The name and address of the Corporation's current resident agent is as set forth in Article FIFTH of the foregoing restatement of the Charter.

ARTICLE VIII: There are currently Six (6) directors of the Corporation, and the names of those directors currently in office are as follows: Andre C. Dimitriadis, Wendy L. Simpson, Edmund C. King, Dr. Timothy J. Triche, Boyd W. Hendrickson and Devra G. Shapiro.

ARTICLE IX: The undersigned Chief Executive Officer and President acknowledges these Articles of Restatement to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer and President 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 for perjury.

[SIGNATURE PAGE FOLLOWS]

9

IN WITNESS WHEREOF, the Corporation has caused these Articles of Restatement to be signed in its name and on its behalf by its Chief Executive Officer and President and attested to by its Secretary as of the 3rd day of August, 2009.

ATTEST:

LTC PROPERTIES, INC.

APPENDIX I

LTC PROPERTIES, INC.

**ARTICLES SUPPLEMENTARY CLASSIFYING
2,000,000 SHARES OF
8.5% SERIES C CUMULATIVE CONVERTIBLE PREFERRED STOCK
(the "Articles Supplementary")**

LTC Properties, Inc., a Maryland corporation (the "Company"), certifies to the Maryland State Department of Assessments and Taxation (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 (the "Charter") and Section 2-105 of the Maryland General Corporation Law ("MGCL"), the Board of Directors has, at a meeting duly called and noticed at which a quorum of directors was present and acting throughout, adopted resolutions classifying and designating a separate series of authorized but unissued Preferred Stock of the Company, par value \$.01 per share (the "Preferred Stock"), to consist of not more than 2,000,000 shares of Preferred Stock, setting certain of the preferences, conversion and other rights, voting powers, restrictions, qualifications and terms and conditions of redemption of such separate series of Preferred Stock, providing for the issuance of a maximum of 2,000,000 shares of such series of Preferred Stock and, pursuant to the powers contained in the Bylaws of the Company and the MGCL, delegating to a Committee (the "Committee") of the Board of Directors comprised of Andre C. Dimitriadis and James J. Pieczynski, to the fullest extent permitted by Maryland law and the Charter and Bylaws of the Company, all powers of the Board of Directors with respect to designating and setting of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of such series of Preferred Stock and determining the number or shares of such series of Preferred Stock (not in excess of the aforesaid maximum number) to be issued and the price and other terms and conditions upon which shares of such series of Preferred Stock are to be offered, sold and issued.

SECOND: Pursuant to the authority conferred upon the Committee as aforesaid, the Committee has, by unanimous written consent, duly adopted resolutions designating the aforesaid series of Preferred Stock as "8.5% Series C Cumulative Convertible Preferred Stock," establishing the number of shares of the aforesaid series as 2,000,000, setting the preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications and terms and conditions of redemption of such 8.5% Series C Cumulative Convertible Preferred Stock (to the extent not set by the Board of Directors in the resolutions referred to in Article FIRST of these Articles Supplementary) and authorizing the issuance of 2,000,000 shares of 8.5% Series C Cumulative Convertible Preferred Stock.

THIRD: The series of Preferred Stock of the Company created by the resolutions duly adopted by the Board of Directors of the Company and by the Committee and referred to in Articles FIRST and SECOND of these Articles Supplementary shall have the following designation, number of shares, preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions.

1. Designation and Number. A series of Preferred Stock, designated the "8.5% Series C Cumulative Convertible Preferred Stock" (the "Series C Preferred Stock"), is hereby established. The number of shares of the Series C Preferred Stock shall be 2,000,000.

2. Maturity. The Series C Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.

3. Rank. The Series C Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, and to all equity securities ranking junior to the Series C Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; (ii) on a parity with the 9.5% Series A Cumulative Preferred Stock, the 9% Series B Cumulative Preferred Stock and with all equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Series C Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; and (iii) junior to all existing and future indebtedness of the Company. The term "equity securities" does not include convertible debt securities, which will rank senior to the Series C Preferred Stock prior to conversion.

4. Dividends.

(a) Holders of shares of the Series C Preferred Stock are entitled to receive, when and as declared by the Board of Directors (or a duly authorized committee thereof), out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 8.5% per annum of the Liquidation Preference (as defined below) per share (equivalent to a fixed annual amount of \$1.63625 per share). Dividends on the Series C Preferred Stock shall be cumulative from the date of original issue and shall be payable quarterly in arrears on each of March 31, June 30, September 30 and December 31 or, if not a business day, the immediately preceding business day (each, a "Dividend Payment Date"). The first dividend, which will be paid on September 30, 1998, will be for less than a full quarter. Such dividend and any dividend payable on the Series C Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the fifteenth day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by the Board of Directors of the Company for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

(b) No dividends on shares of Series C Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series C Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series C Preferred Stock

will bear interest from the applicable Dividend Payment Date at the prime rate of interest established from time to time in the Wall Street Journal. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series C Preferred Stock (other than a dividend in shares of the Company's Common Stock or in shares of any other class of stock ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series C Preferred Stock for all dividend periods ending prior to or on the most recent past Dividend Payment Date. When dividends are not paid in full for all such dividend periods (or a sum sufficient for such full payment is not so set apart) upon the Series C Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series C Preferred Stock, all dividends declared upon the Series C Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series C Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series C Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share (plus interest if any thereon) on the Series C Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other.

(d) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series C Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all dividend periods ending prior to or on the most recent past Dividend Payment Date, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series C Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other shares of capital stock of the Company ranking junior to or on a parity with the Series C Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series C Preferred Stock as to dividends and upon liquidation or redemptions for the purpose of preserving the Company's qualification as a REIT). Holders of shares of the Series C Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series C Preferred Stock as provided above. Any dividend payment made on shares of the Series C Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series C Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its stockholders a liquidation preference of \$19.25 per share (the "Liquidation Preference"), plus an amount equal to any accrued and unpaid dividends to the date of payment, with interest, before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series C Preferred Stock as to liquidation rights. The Company will promptly provide to the holders of Series C Preferred Stock written notice of any event triggering the right to receive such Liquidation Preference. After payment of the full amount of the Liquidation Preference, plus any accrued and unpaid dividends and the interest thereon to which they are entitled, the holders of Series C Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed if the Company would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of the Company whose preferential rights upon distribution are superior to those receiving the distribution.

6. Redemption.

Except as provided in Section 9 hereof or Article NINTH of the Company's Charter, the Series C Preferred Stock will not be redeemable.

7. Voting Rights.

(a) Holders of the Series C Preferred Stock will not have any voting rights, except as set forth below. Without limiting the generality of the foregoing sentence, holders of Series C Preferred Stock will have no voting rights with respect to any additional directors which the holders of any other class or series of Preferred Stock may have the right to elect upon any defaults in the payment of dividends on such class or series of Preferred Stock notwithstanding that such class or series of Preferred Stock may rank on a parity with the Series C Preferred Stock as to dividends or upon liquidation.

(b) Whenever any dividend payment on any shares of Series C Preferred Stock shall be in arrears for more than 10 business days after its applicable Dividend Payment Date (a "Preferred Dividend Default"), the number of directors then constituting the Board of Directors shall be increased by two. Such increase shall be separate and apart and in addition to any increase in the number of directors which may be occasioned by defaults in the payments of

dividends on any other class or series of Preferred Stock. The holders of such shares of Series C Preferred Stock will be entitled to vote separately as a class, in order to fill the vacancies thereby created, for the election of a total of two additional directors of the Company (the "Series C Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series C Preferred Stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series C Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In the event the directors of the Company are divided into classes, each such vacancy shall be apportioned among the classes of directors to prevent stacking in any one class and to ensure that the number of directors in each of the classes of directors are as equal as possible. Each Series C Preferred Stock Director, as a qualification for election as such (and regardless of how elected), shall submit to the Board of Directors of the Company a duly executed, valid, binding and enforceable letter of resignation from the Board of Directors, to be effective upon the date upon which all dividends accumulated on such shares of Series C Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment, whereupon the terms of office of all persons elected as Series C Preferred Stock Directors by the holders of the Series C Preferred Stock shall, upon the effectiveness of their respective letters of resignation, forthwith terminate, and the number of directors then constituting the Board of Directors shall be reduced accordingly. A quorum for any such meeting to elect the Series C Preferred Stock Directors shall exist if at least a majority of the outstanding shares of Series C Preferred Stock are represented in person or by proxy at such meeting. Such Series C Preferred Stock Directors shall be elected upon the affirmative vote of a plurality of the shares of Series C Preferred Stock present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated dividends and the dividend for the then current dividend period on the Series C Preferred Stock shall have been paid in full or declared and set aside for payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to retesting in the event of each and every Preferred Dividend Default) and the term of office of each Series C Preferred Stock Director so elected shall terminate. Any Series C

Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of the Series C Preferred Stock when they have the voting rights described above (voting separately as a class). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Series C Preferred Stock Director may be filled by written consent of the Series C Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series C Preferred Stock when they have the voting rights described above (voting separately as a class). The Series C Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(c) In addition to the rights granted in Section 7(b), in the case of a Preferred Dividend Default, the holders of Series C Preferred Stock shall be granted voting rights equivalent to those rights of holders of the Common Stock; except that the holders of Series C Preferred Stock will not have the right to vote generally in the election of directors but with respect to the election of directors will only have the voting rights set forth in Section 7(b) to

5

elect Series C Preferred Stock Directors. In such case, the voting rights of the holders of the Series C Preferred Stock would be determined on an as converted basis, determined pursuant to the conversion provisions contained in Section 8 hereof. The rights granted by this Section 7(c) shall continue only during a Preferred Dividend Default, and all such rights shall immediately terminate at such time as a Preferred Dividend Default ceases to exist.

(d) So long as any shares of Series C Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series C Preferred Stock outstanding at the time (voting separately as a class), given in person or by proxy, either in writing or at a meeting, amend, alter or repeal the provisions of the Charter or the Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series C Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of any Event set forth above, so long as the Series C Preferred Stock (or any equivalent class or series of stock issued by the surviving corporation in any merger or consolidation to which the Company became a party) remains outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series C Preferred Stock and provided, further that (i) any increase in the amount of the authorized Preferred Stock (other than the Series C Preferred Stock) or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series C Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(e) Except as expressly stated in these Articles Supplementary, the Series C Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action, including but not limited to, any merger or consolidation involving the Company or a sale of all or substantially all of the assets of the Company, irrespective of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the Series C Preferred Stock.

8. Conversion. The holders of Series C Preferred Stock shall have optional conversion rights as follows:

(a) Subject to and upon compliance with the provisions of this Section 8, the holder of any shares of Series C Preferred Stock shall have the right, at the holder's option, at any time, to convert the shares into a number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) equal to the aggregate Liquidation Preference (as defined in Section 5 above) of all of the shares surrendered for conversion divided by the Conversion Price (as defined in Section 8(d) below) by surrendering the shares to be converted, in the manner provided in Section 8(b) below.

6

(b) (i) In order to exercise the conversion privilege, the holder of each share of Series C Preferred Stock to be converted shall surrender the certificate representing such share to the conversion agent for the Series C Preferred Stock appointed for such purpose by the Company, with a written notice of conversion duly executed, at the principal office of the conversion agent. Unless the shares issuable on conversion are to be issued in the same name as the name in which the share of Series C Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Company, duly executed by the holder or his duly authorized attorney and by funds in an amount sufficient to pay any transfer or similar tax.

(ii) The holders of shares of Series C Preferred Stock who convert and whose conversion is deemed effective before the close of business on a Dividend Record Date shall not be entitled to receive any portion of the dividend payable on those shares of Series C Preferred Stock on the corresponding Dividend Payment Date notwithstanding the conversion of the shares on the Dividend Record Date and prior to such Dividend Payment Date but will, however, be entitled to receive the entire corresponding dividend payable, if any, on the shares of Common Stock issuable upon conversion provided that any conversion of Series C Preferred Stock becomes effective prior to the close of business on the record date for such dividend payable on such shares of Common Stock. The holders of shares of Series C Preferred Stock on a Dividend Record Date who (or whose transferees) convert any of those shares after the Dividend Record Date will receive the dividend payable by the Company on those shares of Series C Preferred Stock on the Dividend Payment Date. Except as provided above, the Company shall make no payment or adjustment for accrued and unpaid dividends on shares of Series C Preferred Stock, whether or not in arrears on conversion of those shares or for dividends on the shares of Common Stock issued upon the conversion.

(iii) As promptly as practicable after the surrender by a holder of the certificates for shares of Series C Preferred Stock in accordance with this Section 8(b), the Company shall issue and shall deliver at the office of the conversion agent to the holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of those shares in accordance with the provisions of this Section 8, and any fractional interest in respect of a share of Common Stock arising upon the conversion shall be settled as provided in Section 8(c) below.

(iv) Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which all of the conditions specified in Section 8(b)(i) above shall have been satisfied, and, the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented by those certificates at such time on such date and such conversion shall be at the Conversion Price (as defined in Section 8(d) below) in effect at such time on such date, unless the stock transfer books of the Company shall be closed on the date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which all of the conditions specified in Section 8(b)(i) above shall have been satisfied. All shares of Common Stock delivered upon conversion of the Series C Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges created by or through the Company or any of its subsidiaries and not subject to any preemptive rights. Upon

7

the surrender of certificates representing shares of Series C Preferred Stock to be converted, the shares shall no longer be deemed to be outstanding and all rights of a holder with respect to the shares surrendered for conversion shall immediately terminate except the right to receive the Common Stock or other securities, cash or other assets as herein provided.

(c) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon conversion of Series C Preferred Stock. Any fractional interest in a share of Common Stock resulting from conversion of a share of Series C Preferred Stock shall be paid in cash (computed to the nearest cent) based on the Current Market Price (as defined in Section 8(d)(iv) below) of the Common Stock on the Trading Day (as defined in Section 8(d)(iv) below) next preceding the day of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon the conversion shall be computed on the basis of the aggregate Liquidation Preference of the shares of Series C Preferred Stock so surrendered.

(d) The "Conversion Price" per share of Common Stock shall be \$19.25, subject to adjustment from time to time as follows:

(i) In case the Company shall (A) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, or (C) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such event shall be adjusted so that the holder of any share of Series C Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Company which he would have owned or have been entitled to receive after the happening of such event had the share been converted immediately prior to the happening of such event. An adjustment made pursuant to this Section 8(d)(i) shall become effective immediately after the record date in the case of a dividend or distribution except as provided in Section 8(d)(viii) below, and shall become effective immediately after the effective date in the case of subdivision or combination. If any dividend or distribution is not paid or made, the Conversion Price then in effect shall be appropriately readjusted.

(ii) In case the Company shall issue rights or warrants to all or substantially all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock at a price per share less than the Current Market Price (as defined in Section 8(d)(iv) below) of the Common Stock at the record date for the determination of stockholders entitled to receive the rights or warrants, the Conversion Price in effect immediately prior to the issuance of such rights or warrants shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of the rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Current Market Price at that record date, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. The adjustment provided for in this Section 8(d)(ii) shall be

8

made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in Section 8(d)(vii) below after such record date. In determining whether any rights or warrants entitle the holders of the Common Stock to subscribe for or purchase shares of Common Stock at less than the Current Market Price, and in determining the aggregate offering price of the shares of Common Stock so offered, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors (whose determination, if made in good faith, shall be conclusive). If any or all of such rights or warrants are not so issued or expired or terminate without having been exercised, the Conversion Price then effect shall be appropriately readjusted.

(iii) In case the Company shall distribute to all or substantially all holders of its Common Stock, cash, any shares of capital stock of the Company (other than Common Stock) or evidences of indebtedness or assets (including securities, but excluding those dividends, rights, warrants and distributions covered by Sections 8(d)(i) and (ii) above and excluding Permitted Common Stock Cash Distributions (as defined below)) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in Section 8(d)(ii) above) then, in each such case, the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of the distribution by a fraction of which the numerator shall be the Current Market Price of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination, if made in good faith, shall be conclusive) of the proportion of the capital stock or assets or evidences of indebtedness so distributed, or of the rights or warrants so distributed, with respect to one share of Common Stock, and of which the denominator shall be the Current Market Price of the Common Stock on the record date; *provided, however*, that in connection with the Company's spin-off of LTC Healthcare, Inc., each holder of Series C Preferred Stock on the record date of the spin-off of LTC Healthcare, Inc. shall receive as a special dividend 1/10 of a share of common stock, par value \$.01 per share, of LTC Healthcare, Inc. for each share of the Company's Common Stock into which such holder's Series C Preferred Stock may be converted in lieu of adjustment of the Conversion Price for such distribution. Notwithstanding the foregoing, in the event that said spin-off does not involve the issuance of 1/10 of a share of common stock of LTC Healthcare, Inc. for each share of the Company's Common Stock, then the number of shares of common stock of LTC Healthcare, Inc. issued to the holders of the Series C Preferred Stock shall be adjusted accordingly such that each holder of one share of Series C Preferred Stock is treated equivalently to the holder of a share of the Company's Common Stock. Such adjustment shall become effective immediately, except as provided in Section 8(d)(vii) below, after the record date or the determination of stockholders entitled to receive such distribution. If any such distribution is not made or if any or all of such rights or warrants expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted. "Permitted Common Stock Cash Distributions" means cash dividends and distributions paid with respect to the Common Stock in the ordinary course of the Company's business as determined by the Board of Directors in good faith and not in excess of the stockholders' equity of the Company.

9

(iv) For the purpose of any computation under Sections 8(d)(ii) and 8(d)(iii) above, the "Current Market Price" of the Common Stock at any date shall be the average of the last reported sale prices per share for the ten consecutive Trading Days (as defined below) preceding the date of such computation. The last reported sale price for each day shall be (A) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sale price, or the closing bid price if no sale occurred that day, of the Common Stock on the principal securities exchange on which the Common Stock is listed, or (B) the last reported sale price of the Common Stock on the Nasdaq Stock Market's National Market (the "Nasdaq National Market"), or any similar system of automated dissemination of quotations of securities prices then in common use, if so quoted, or (C) if not listed or quoted as described in clauses (A) or (B), the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding days. If the Common Stock is quoted on a national securities or central market system, in lieu of a market or quotation system described above, the last reported sale price shall be determined in the manner set forth in clause (C) of the preceding sentences if bid and asked quotations are reported but actual transactions are not, and in the manner set forth in clause (A) of the preceding sentence if actual transactions are reported. If none of the conditions set forth above is met, the last reported sale price of the Common Stock on any day or the average of such last reported sale prices for any period shall be the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Company. As used herein the term "Trading Days" means (x) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities exchange is open for business, (y) if the Common Stock is quoted on the Nasdaq National Market or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system, or (z) if not quoted as described in clauses (x) or (y), days on which quotations are reported by the National Quotation Bureau Incorporated.

(v) No adjustment in the Conversion Price shall be required unless such adjustment would require a change of at least 1% in the Conversion Price; *provided, however*, that any adjustments which by reason of this Section 8(d)(v) are not required to be made shall be carried forward and take into account in any subsequent adjustment; and *provided, further*, that adjustment shall be required and made in accordance with the provisions of this Section 8 (other than this Section 8(d)(v)) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of Common Stock which would otherwise require an adjustment to be made pursuant to this Section 8(d). All calculations under this Section 8 shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 8(d) to the contrary notwithstanding, the Company shall be entitled to (but under no obligation to) make such reductions in the Conversion Price, in addition to those required by this Section 8(d), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of capital stock or rights or warrants to purchase stock or securities, or distributions of evidences of indebtedness or assets (other than cash dividends or distributions paid from retained earnings) hereinafter made by the Company to its stockholders shall be a tax free distribution for federal income tax purposes.

10

(vi) Whenever the Conversion Price is adjusted, as herein provided, the Company shall promptly file with the conversion agent an officers' certificate setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring the adjustment, which certificate shall be conclusive evidence of the correctness of the adjustment. Promptly after delivery of the certificate, the Company shall prepare a notice of the adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which the adjustment becomes effective and shall mail the notice of such adjustment of the Conversion Price to the holder of each share of Series C Preferred Stock at his last address as shown on the stock books of the Company.

(vii) In any case in which this Section 8(d) provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of the event (i) issuing to the holder of any share of Series C Preferred Stock converted after the record date and before the occurrence of the event the additional shares of Common Stock issuable upon the conversion by reason of the adjustment required by the event over and above the Common Stock issuable upon such conversion before giving effect to the adjustment and (ii) paying to the holder any amount in cash in lieu of any fractional share pursuant to Section 8(c) above.

(e) If:

(i) the Company shall declare a dividend (or any other distribution) on the Common Stock (other than in the ordinary course of business (as determined by the Board of Directors in good faith) and in excess of the stockholders' equity of the Company); or

(ii) the Company shall authorize the granting to all of the holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(iii) there shall be any reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value, or from par value to no par value, or from no par value to par value), or any consolidation, merger, or statutory share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or any sale or transfer of all or substantially all the assets of the Company or;

(iv) there shall be a voluntary or an involuntary dissolution, liquidation or winding up of the Company;

then, the Company shall cause to be filed with the conversion agent, and shall cause to be mailed to the holders of shares of the Series C Preferred Stock at their addresses as shown on the stock books of the Company, at least 15 days prior to the applicable date hereinafter specified in (A) or (B) below as applicable, a notice stating (A) the date on which a record is to be taken for the purpose of the dividend distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to the dividend, distribution or rights or warrants are to be determined or (B) the date on which the reclassification, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon the reclassification, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice or any defect in the notice shall not affect the legality or validity of the proceedings described in this Section 8(e).

11

(f) (i) The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of the Series C Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series C Preferred Stock not theretofore converted. For purposes of this Section 8(f), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series C Preferred Stock shall be computed as if at the time of computation all the outstanding shares were held by a single holder.

(ii) Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Series C Preferred Stock, the Company will take any Company action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock at the adjusted Conversion Price.

(iii) The Company will list the shares of Common Stock required to be delivered upon conversion of the Series C Preferred Stock, prior to the delivery, upon each national securities exchange, the Nasdaq National Market or any similar system of automated dissemination of securities prices, if any, upon which the outstanding Common Stock is listed or accepted for quotation at the time of delivery.

(iv) Prior to the delivery of any securities which the Company shall be obligated to deliver upon conversion of the Series C Preferred Stock, the Company will endeavor, in good faith and as expeditiously as possible, to comply with all federal and state laws and regulations thereunder requiring the registration of those securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(g) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series C Preferred Stock pursuant hereto *provided, however*, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series C Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting the issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that the tax has been paid.

(h) In the event the Company shall (x) effect any capital reorganization or reclassification of its shares or (y) consolidate or merge with or into any other company (other than a consolidation or merger in which the Company is the surviving company and each share of Common Stock outstanding immediately prior to such consolidation or merger is to remain outstanding immediately after such consolidation or merger) or (z) sell, lease or transfer

substantially all of its assets to any other person or entity for a consideration consisting in whole or in part of equity securities of such other company, the holders of shares of Series C Preferred Stock shall, receive upon conversion thereof, in lieu of each share of Common Stock into which the Series C Preferred Stock would have been convertible prior to such transaction, the same kind and amount of stock and other securities, cash or property as such holder would have been entitled to receive upon such transaction if such holder had held the Common Stock issuable upon conversion of the Series C Preferred Stock immediately prior to such transaction. The Company may not become a party to any such transaction unless the terms thereof are consistent with the foregoing.

9. Limit on Ownership of Series C Preferred Stock; Excess Preferred Shares. Shares of Series C Preferred Stock shall be subject to the applicable Limit and other provisions of Article NINTH of the Charter of the Company and to the following additional provisions set forth herein. Subject to the authority of the Board of Directors set forth in said Article NINTH, the Limit applicable to shares of the Series C Preferred Stock shall be the number of shares of Series C Preferred Stock that is equal to 9.8% of the then outstanding shares of Series C Preferred Stock or, if fewer, the number of shares of Series C Preferred Stock that, if then converted by the holder into shares of Common Stock as provided in Section 8, would make such holder or any other person the owner of a number of shares of Common Stock that would exceed the Limit applicable to Common Stock as set forth in Section 9.3.2.1 of the Charter of the Company; *provided, however*, that National Health Investors, Inc. ("NHI"), the initial purchaser of the shares of Series C Preferred Stock (but not any other holders of shares of Series C Preferred Stock) shall be exempt from the Limit applicable to the outstanding shares of Series C Preferred Stock as set forth in Section 9.3.2.2 of the Charter of the Company and NHI may own greater than 9.8% of the outstanding shares of Series C Preferred Stock; *provided, further*, that NHI remains subject to the Limit applicable to the shares of Common Stock as set forth in Section 9.3.2.1 of the Charter of the Company whereby NHI may not own more than the aggregate number of shares of Common Stock and shares of Series C Preferred Stock that, if then converted by NHI into shares of Common Stock, would make NHI or any other person the owner of a number of shares of Common Stock that would exceed the Limit applicable to Common Stock as set forth in said Article NINTH.

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

FIFTH: The undersigned President 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 President of the Company acknowledges that to the best of his 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, LTC PROPERTIES, INC. has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 2nd day of September, 1998.

LTC PROPERTIES, INC.

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

By: /s/ Pamela J. Privett
Title: Secretary

APPENDIX II

LTC PROPERTIES, INC. ARTICLES SUPPLEMENTARY CLASSIFYING 2,200,000 SHARES OF 8.5% SERIES E CUMULATIVE CONVERTIBLE PREFERRED STOCK

LTC Properties, Inc., a Maryland corporation (the "Company"), certifies to the Maryland State Department of Assessments and Taxation (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 ("MGCL"), the Board of Directors has, by unanimous written consents dated June 24, 2003 and September 8, 2003, adopted resolutions classifying and designating a separate series of authorized but unissued Preferred Stock (as defined in the Charter), setting certain of the preferences, conversion and other rights, voting powers, restrictions, qualifications and terms and conditions of redemption of such separate series of Preferred Stock, providing for the issuance of a maximum of 2,200,000 shares of such series of Preferred Stock and, pursuant to the powers contained in the bylaws of the Company (the "Bylaws") and the MGCL, appointing a committee (the "Preferred Stock Terms Committee") of the Board of Directors and delegating to the Preferred Stock Terms Committee, to the fullest extent permitted by Maryland law and the Charter and Bylaws of the Company, all powers of the Board of Directors with respect to designating and setting of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of such series of Preferred Stock and determining the number of shares of such series of Preferred Stock (not in excess of the aforesaid maximum number) to be issued and the price and other terms and conditions upon which shares of such series of Preferred Stock are to be offered, sold and issued.

SECOND: Pursuant to the authority conferred upon the Preferred Stock Terms Committee as aforesaid, the Preferred Stock Terms Committee has, by unanimous written consent, duly adopted resolutions designating the aforesaid series of Preferred Stock as "8.5% Series E Cumulative Convertible Preferred Stock", setting the preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications and terms and conditions of redemption of such 8.5% Series E Cumulative Convertible Preferred Stock (to the extent not set by the Board of Directors in the resolutions referred to in Article FIRST of these Articles Supplementary) and authorizing the issuance of up to 2,200,000 shares of 8.5% Series E Cumulative Convertible Preferred Stock.

THIRD: The series of Preferred Stock of the Company created by the resolutions duly adopted by the Board of Directors of the Company and by the Preferred Stock Terms Committee and referred to in Articles FIRST and SECOND of these Articles Supplementary shall have the following designation, number of shares, preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions which, upon any restatement of the Charter, shall be made a part of Article SEVENTH of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections thereof:

1. Designation and Number. A series of Preferred Stock, designated the "8.5% Series E Cumulative Convertible Preferred Stock" (the "Series E Preferred Stock"), is hereby established. The number of shares of the Series E Preferred Stock shall be 2,200,000.
2. Maturity. The Series E Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.
3. Rank. The Series E Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, the Series D Junior Participating Preferred Stock and to all equity securities ranking junior to the Series E Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; (ii) on a parity with the 9.5% Series A Cumulative Preferred Stock ("Series A Preferred Stock"), the 9.0% Series B Cumulative Preferred Stock ("Series B Preferred Stock"), the 8.5% Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock") and with all equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Series E Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; and (iii) junior to all existing and future indebtedness of the Company. The term "equity securities" does not include convertible debt securities, which will rank senior to the Series E Preferred Stock prior to conversion.
4. Dividends.
 - (a) Holders of shares of the Series E Preferred Stock are entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 8.5% per annum of the Liquidation Preference (as defined below) per share (equivalent to a fixed annual amount of \$2.125 per share). Dividends on the Series E Preferred Stock shall be cumulative from the date of original issue and shall be payable quarterly in arrears on or before the 15th day of January, April, July and October of each year, or, if not a business day, the next succeeding business day (each, a "Dividend Payment Date"). The first dividend, which will be paid on October 15, 2003, will be for less than a full quarter. Such dividend and any dividend payable on the Series E Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the last day of the calendar month first preceding the applicable Dividend Payment Date, or on such other date designated by the Board of Directors of the Company for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Notwithstanding any provision to the contrary contained herein, each outstanding share of Series E Preferred Stock shall be entitled to receive, and shall receive, a dividend with respect to each Dividend Record Date equal to the dividend paid with respect to each other share of Series E Preferred Stock which is outstanding on such Dividend Record Date.

2

- (b) No dividends on shares of Series E Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.
 - (c) Notwithstanding the foregoing, dividends on the Series E Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series E Preferred Stock will not bear interest and holders of the Series E Preferred Stock will not be entitled to any distributions in excess of full cumulative distributions described above. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series E Preferred Stock (other than a dividend in shares of the Company's Common Stock or in shares of any other class of stock ranking junior to the Series E Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series E Preferred Stock for all dividend periods ending prior to or on the most recent past Dividend Payment Date. When dividends are not paid in full for all such dividend periods (or a sum sufficient for such full payment is not so set apart) upon the Series E Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series E Preferred Stock, all dividends declared upon the Series E Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series E Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series E Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series E Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other.
 - (d) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series E Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all dividend periods ending prior to or on the most recent past Dividend Payment Date, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series E Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series E Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other shares of capital stock of the Company ranking junior to or on a parity with the Series E Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series E Preferred Stock as to dividends and upon liquidation or redemptions for the purpose of preserving the Company's qualification as a REIT). Holders of shares of the Series E Preferred

3

Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series E Preferred Stock as provided above. Any dividend payment made on shares of the Series E Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series E Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its stockholders a liquidation preference of \$25 per share (the "Liquidation Preference"), plus an amount equal to any accrued and unpaid dividends to the date of payment, but without interest, before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series E Preferred Stock as to liquidation rights. The Company will promptly provide to the holders of Series E Preferred Stock written notice of any event triggering the right to receive such Liquidation Preference. After payment of the full amount of the Liquidation Preference, plus any accrued and unpaid dividends to which they are entitled, the holders of Series E Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed if the Company would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of the Company whose preferential rights upon distribution are superior to those receiving the distribution.

6. Redemption.

(a) The Series E Preferred Stock is not redeemable prior to September 19, 2006. On and after September 19, 2006 and before September 19, 2008, the Company, at its option upon not less than 30 nor more than 60 days' written notice, may redeem shares of the Series E Preferred Stock, in whole or in part, at any time or from time to time, if such notice is given within 15 trading days of the end of any 30 day period in which the closing price of the Common Stock of the Company on the New York Stock Exchange, Inc. equals or exceeds 125% of the applicable Conversion Price (as defined in Section 8 below) for 20 out of 30 consecutive trading days, for cash at a redemption price of \$25 per share, plus accrued and unpaid dividends (except with respect to Excess Shares (as defined in the Charter)), without interest. After September 19, 2008, the Company, at its option upon not less than 30 nor more than 60 days' written notice, may redeem shares of the Series E Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption (except with respect to Excess Shares), without interest. Holders of Series E Preferred Stock to be redeemed shall surrender such Series E Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such

4

surrender. If notice of redemption of any shares of Series E Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any shares of Series E Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series E Preferred Stock, such shares of Series E Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series E Preferred Stock is to be redeemed, the Series E Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by the Company.

(b) Unless full cumulative dividends on all shares of Series E Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all dividend periods ending prior to or on the most recent past Dividend Payment Date, no shares of Series E Preferred Stock shall be redeemed unless all outstanding shares of Series E Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series E Preferred Stock (except by exchange for capital stock of the Company ranking junior to the Series E Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Company of Excess Shares in order to ensure that the Company continues to meet the requirements for qualification as a REIT, or the purchase or acquisition of shares of Series E Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series E Preferred Stock. So long as no dividends are in arrears, the Company shall be entitled at any time and from time to time to repurchase shares of Series E Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

(c) Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by the Company, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series E Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Company. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series E Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series E Preferred Stock to be redeemed; (iv) the place or places where the Series E Preferred Stock is to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series E Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series E Preferred Stock held by such holder to be redeemed.

5

(d) Immediately prior to any redemption of Series E Preferred Stock, the Company shall pay, in cash, any accumulated and unpaid dividends through the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series E Preferred Stock at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date.

(e) Excess Shares may be redeemed, in whole or in part, at any time when outstanding shares of Series E Preferred Stock are being redeemed, for cash at a redemption price of \$25 per share, but excluding accrued and unpaid dividends on such Excess Shares, without interest. Such Excess Shares shall be redeemed in such proportion and in accordance with such procedures as shares of Series E Preferred Stock are being redeemed.

7. Voting Rights.

(a) Holders of the Series E Preferred Stock will not have any voting rights, except as set forth below.

(b) Whenever (i) dividends on any shares of Series E Preferred Stock shall be in arrears for six or more quarterly periods, or (ii) dividends on any shares of Series A Preferred Stock or Series B Preferred Stock shall be in arrears for eighteen or more months (each of (i) and (ii) are hereinafter referred to as a "Preferred Dividend Default"), the number of directors then constituting the Board of Directors shall be increased by two (if not already increased by reason of a similar arrearage with respect to any Parity Preferred (as hereinafter defined)). The holders of shares of Series E Preferred Stock (voting separately as a class with all other series of Preferred Stock ranking on a parity with the Series E Preferred Stock as to dividends or upon liquidation including, but not limited to, the Series A Preferred Stock and the Series B Preferred Stock

("Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote separately as a class, in order to fill the vacancies thereby created, for the election of a total of two additional directors of the Company (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series E Preferred Stock or the holders of record of at least 20% of any series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series E Preferred Stock, Series A Preferred Stock and Series B Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In the event the directors of the Company are divided into classes, each such vacancy shall be apportioned among the classes of directors to prevent stacking in any one class and to insure that the number of directors in each of the classes of directors, are as equal as possible. Each Preferred Stock Director, as a qualification for election as such (and regardless of how elected) shall submit to the Board of Directors of the Company a duly executed, valid, binding and enforceable letter of resignation from the Board of Directors, to be effective upon the date upon which all dividends accumulated on such shares of Series E Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment, whereupon the terms of office of all persons elected as Preferred Stock Directors by the holders of the Series E Preferred Stock and any Parity Preferred shall, upon the effectiveness of their respective letters

6

of resignation, forthwith terminate, and the number of directors then constituting the Board of Directors shall be reduced accordingly. A quorum for any such meeting shall exist if at least a majority of the outstanding shares of Series E Preferred Stock and shares of Parity Preferred upon which like voting rights have been conferred and are exercisable are represented in person or by proxy at such meeting. Such Preferred Stock Directors shall be elected upon the affirmative vote of a plurality of the shares of Series E Preferred Stock and such Parity Preferred present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated dividends and the dividend for the then current dividend period on the Series E Preferred Stock, Series A Preferred Stock and Series B Preferred Stock shall have been paid in full or declared and set aside for payment in full, the holders of shares of Series E Preferred Stock shall be divested of the foregoing voting rights (subject to retesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of the holders of record of a majority of the outstanding shares of the Series E Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series E Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(c) So long as any shares of Series E Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series E Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal the provisions of the Charter or the Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series E Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of any Event set forth above, so long as the Series E Preferred Stock (or any equivalent class or series of stock issued by the surviving corporation in any merger or consolidation to which the Company became a party) remains outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series E Preferred Stock and provided, further that (i) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series E Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

7

(d) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series E Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(e) Except as expressly stated in these Articles Supplementary, the Series E Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action, including but not limited to, any merger or consolidation involving the Company or a sale of all or substantially all of the assets of the Company, irrespective of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the Series E Preferred Stock.

8. Conversion. The holders of Series E Preferred Stock shall have optional conversion rights as follows:

(a) Subject to and upon compliance with the provisions of this Section 8, the holder of any shares of Series E Preferred Stock shall have the right, at the holder's option, at any time, to convert the shares into a number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) equal to the aggregate Liquidation Preference (as defined in Section 5 above) of all of the shares surrendered for conversion divided by the Conversion Price (as defined in Section 8(d) below) by surrendering the shares to be converted, in the manner provided in Section 8(b) below; provided, however, that the conversion rights set forth in this Section 8 shall not apply to shares of Series E Preferred Stock which have converted into Excess Shares pursuant to Section 9 below and Article NINTH of the Charter.

(b) (i) In order to exercise the conversion privilege, the holder of each share of Series E Preferred Stock to be converted shall surrender the certificate representing such share to the conversion agent for the Series E Preferred Stock appointed for such purpose by the Company, with a written notice of conversion duly executed, at the principal office of the conversion agent. Unless the shares issuable on conversion are to be issued in the same name as the name in which the share of Series E Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Company, duly executed by the holder or his duly authorized attorney and by funds in an amount sufficient to pay any transfer or similar tax.

(ii) The holders of shares of Series E Preferred Stock who convert and whose conversion is deemed effective before the close of business on a Dividend Record Date shall not be entitled to receive any portion of the dividend payable on those shares of Series E Preferred Stock on the corresponding Dividend Payment Date notwithstanding the conversion of the shares on the Dividend Record Date and prior to such Dividend Payment Date but will, however, be entitled to receive the entire corresponding dividend payable, if any, on the shares of Common Stock issuable upon conversion provided that any conversion of Series E Preferred Stock becomes effective prior to the close of business on the record date for such dividend payable on such shares of Common Stock. The holders of shares of Series E Preferred Stock on

8

a Dividend Record Date who (or whose transferees) convert any of those shares after the Dividend Record Date will receive the dividend payable by the Company on those shares of Series E Preferred Stock on the Dividend Payment Date. Except as provided above, the Company shall make no payment or adjustment for accrued and unpaid dividends on shares of Series E Preferred Stock, whether or not in arrears, on conversion of those shares or for dividends on the shares of Common Stock issued upon the conversion.

(iii) As promptly as practicable after the surrender by a holder of the certificates for shares of Series E Preferred Stock in accordance with this Section 8(b), the Company shall issue and shall deliver at the office of the conversion agent to the holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of those shares in accordance with the provisions of this Section 8, and any fractional interest in respect of a share of Common Stock arising upon the conversion shall be settled as provided in Section 8(c) below.

(iv) Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which all of the conditions specified in Section 8(b)(i) above shall have been satisfied, and, the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented by those certificates at such time on such date and such conversion shall be at the Conversion Price (as defined in Section 8(d) below) in effect at such time on such date, unless the stock transfer books of the Company shall be closed on the date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which all of the conditions specified in Section 8(b)(i) above shall have been satisfied. All shares of Common Stock delivered upon conversion of the Series E Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges created by or through the Company or any of its subsidiaries and not subject to any preemptive rights. Upon the surrender of certificates representing shares of Series E Preferred Stock to be converted, the shares shall no longer be deemed to be outstanding and all rights of a holder with respect to the shares surrendered for conversion shall immediately terminate except the right to receive the Common Stock or other securities, cash or other assets as herein provided.

(v) If any holder of Series E Preferred Stock exercises such holder's conversion rights under this Section 8 with respect to any shares of Series E Preferred Stock subsequent to the Company issuing a notice of redemption pursuant to Section 6 above with respect to such shares, such conversion must be deemed effective as provided in Section 8(b)(iv) above at least 10 days prior to the redemption date set forth in the Company's notice of redemption, or such exercise will be of no effect and the shares in question will be redeemed pursuant to the notice of redemption.

(c) No fractional shares or securities representing fractional shares of Common Stock shall be issued upon conversion of Series E Preferred Stock. Any fractional interest in a share of Common Stock resulting from conversion of a share of Series E Preferred Stock shall be paid in cash (computed to the nearest cent) based on the Current Market Price (as

defined in Section 8(d)(iv) below) of the Common Stock on the Trading Day (as defined in Section 8(d)(iv) below) next preceding the day of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon the conversion shall be computed on the basis of the aggregate Liquidation Preference of the shares of Series E Preferred Stock so surrendered.

(d) The "Conversion Price" per share of Common Stock shall be \$12.50, subject to adjustment from time to time as follows:

(i) In case the Company shall (A) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, or (C) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such event shall be adjusted so that the holder of any share of Series E Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Company which he would have owned or have been entitled to receive after the happening of such event had the share been converted immediately prior to the happening of such event. An adjustment made pursuant to this Section 8(d)(i) shall become effective immediately after the record date in the case of a dividend or distribution except as provided in Section 8(d)(vii) below, and shall become effective immediately after the effective date in the case of subdivision or combination. If any dividend or distribution is not paid or made, the Conversion Price then in effect shall be appropriately readjusted.

(ii) In case the Company shall issue rights or warrants to all or substantially all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock at a price per share less than the Current Market Price (as defined in Section 8(d)(iv) below) of the Common Stock at the record date for the determination of stockholders entitled to receive the rights or warrants, the Conversion Price in effect immediately prior to the issuance of such rights or warrants shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of the rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at the Current Market Price at that record date, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of the rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. The adjustment provided for in this Section 8(d)(ii) shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in Section 8(d)(vii) below after such record date. In determining whether any rights or warrants entitle the holders of the Common Stock to subscribe for or purchase shares of Common Stock at less than the Current Market Price, and in determining the aggregate offering price of the shares of Common Stock so offered, there shall be taken into account any consideration received by the Company for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board of Directors (whose determination, if made in good faith, shall be conclusive). If any or all of such rights or warrants are not so issued or expired or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted.

(iii) In case the Company shall distribute to all or substantially all holders of its Common Stock, cash, any shares of capital stock of the Company (other than Common Stock) or evidences of indebtedness or assets (including securities, but excluding those dividends, rights, warrants and distributions covered by Sections 8(d)(i) and (ii) above and excluding Permitted Common Stock Cash Distributions (as defined below)) or rights or warrants to subscribe for or purchase any of its securities (excluding those referred to in Section 8(d)(ii) above) then, in each such case, the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of the distribution by a fraction of which the numerator shall be the Current Market Price of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board of Directors, whose determination, if made in good faith, shall be conclusive) of the proportion of the capital stock or assets or evidences of indebtedness so distributed, or of, the rights or warrants so distributed, with respect to one share of Common Stock, and of which the denominator shall be the Current Market Price of the Common Stock on the record date. If any such distribution is not made or if any or all of such rights or warrants expire or terminate without having been exercised, the Conversion Price then in effect shall be appropriately readjusted. "Permitted Common Stock

Cash Distributions” means cash dividends and distributions paid with respect to the Common Stock in the ordinary course of the Company’s business as determined by the Board of Directors in good faith and not in excess of the stockholders’ equity of the Company.

(iv) For the purpose of any computation under Sections 8(d)(ii) and 8(d)(iii) above, the “Current Market Price” of the Common Stock at any date shall be the average of the last reported sale prices per share for the ten consecutive Trading Days (as defined below) preceding the date of such computation. The last reported sale price for each day shall be (A) if the Common Stock is listed or admitted for trading on any national securities exchange, the last sale price, or the closing bid price if no sale occurred that day, of the Common Stock on the principal securities exchange on which the Common Stock is listed, or (B) the last reported sale price of the Common Stock on the Nasdaq Stock Market’s National Market (the “Nasdaq National Market”), or any similar system of automated dissemination of quotations of securities prices then in common use, if so quoted, or (C) if not listed or quoted as described in clauses (A) or (B), the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding days. If the Common Stock is quoted on a national securities or central market system, in lieu of a market or quotation system described above, the last reported sale price shall be determined in the manner set forth in clause (C) of the preceding sentence if bid and asked quotations are reported but actual transactions are not, and in the manner set forth in clause (A) of the preceding sentence if actual transactions are reported. If none of the conditions set forth above are met, the last reported sale price of the Common Stock on any day or the average of such last reported sale prices for any period shall be the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Company. As used herein the term “Trading Days” means (x) if the Common Stock is listed or admitted for trading on any national securities exchange, days on which such national securities

exchange is open for business, (y) if the Common Stock is quoted on the Nasdaq National Market or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system, or (z) if not quoted as described in clauses (x) or (y), days on which quotations are reported by the National Quotation Bureau Incorporated.

(v) No adjustment in the Conversion Price shall be required unless such adjustment would require a change of at least 1% in the Conversion Price; provided, however, that any adjustments which by reason of this Section 8(d)(v) are not required to be made shall be carried forward and take into account in any subsequent adjustment; and provided, further, that adjustment shall be required and made in accordance with the provisions of this Section 8 (other than this Section 8(d)(v)) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of Common Stock which would otherwise require an adjustment to be made pursuant to this Section 8(d). All calculations under this Section 8 shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this Section 8(d) to the contrary notwithstanding, the Company shall be entitled to (but under no obligation to) make such reductions in the Conversion Price, in addition to those required by this Section 8(d), as it in its discretion shall determine to be advisable in order that any stock dividend, subdivision or combination of shares, distribution of capital stock or rights or warrants to purchase stock or securities, or distributions of evidences of indebtedness or assets (other than cash dividends or distributions paid from retained earnings) hereinafter made by the Company to its stockholders shall be a tax free distribution for federal income tax purposes.

(vi) Whenever the Conversion Price is adjusted, as herein provided, the Company shall promptly file with the conversion agent an officers’ certificate setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring the adjustment, which certificate shall be conclusive evidence of the correctness of the adjustment. Promptly after delivery of the certificate, the Company shall prepare a notice of the adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which the adjustment becomes effective and shall mail the notice of such adjustment of the Conversion Price to the holder of each share of Series E Preferred Stock at his last address as shown on the stock books of the Company.

(vii) In any case in which this Section 8(d) provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of the event (i) issuing to the holder of any share of Series E Preferred Stock converted after the record date and before the occurrence of the event the additional shares of Common Stock issuable upon the conversion by reason of the adjustment required by the event over and above the Common Stock issuable upon such conversion before giving effect to the adjustment and (ii) paying to the holder any amount in cash in lieu of any fractional share pursuant to Section 8(c) above.

(e) If:

(i) the Company shall declare a dividend (or any other distribution) on the Common Stock (other than in the ordinary course of business (as determined by the Board of Directors in good faith) and in excess of the stockholders’ equity of the Company); or

(ii) the Company shall authorize the granting to all of the holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(iii) there shall be any reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value, or from par value to no par value, or from no par value to par value), or any consolidation, merger, or statutory share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or any sale or transfer of all or substantially all the assets of the Company; or

(iv) there shall be a voluntary or an involuntary dissolution, liquidation or winding up of the Company;

then, the Company shall cause to be filed with the conversion agent, and shall cause to be mailed to the holders of shares of the Series E Preferred Stock at their addresses as shown on the stock books of the Company, at least 15 days prior to the applicable date hereinafter specified in (A) or (B) below as applicable, a notice stating (A) the date on which a record is to be taken for the purpose of the dividend distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to the dividend, distribution or rights or warrants are to be determined or (B) the date on which the reclassification, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon the reclassification, consolidation, merger, statutory share exchange, sale, transfer, dissolution, liquidation or winding up. Failure to give any such notice or any defect in the notice shall not affect the legality or validity of the proceedings described in this Section 8(e).

(f) (i) The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock for the purpose of effecting conversions of the Series E Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Series E Preferred Stock not theretofore converted. For purposes of this Section 8(f), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Series E Preferred Stock shall be computed as if at the time of computation all the outstanding shares were held by a single holder.

(ii) Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Series E Preferred Stock, the Company will take any Company action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock at the adjusted Conversion Price.

13

(iii) The Company will list the shares of Common Stock required to be delivered upon conversion of the Series E Preferred Stock, prior to the delivery, upon each national securities exchange, the Nasdaq National Market or any similar system of automated dissemination of securities prices, if any, upon which the outstanding Common Stock is listed or accepted for quotation at the time of delivery.

(iv) Prior to the delivery of any securities which the Company shall be obligated to deliver upon conversion of the Series E Preferred Stock, the Company will endeavor, in good faith and as expeditiously as possible, to comply with all federal and state laws and regulations thereunder requiring the registration of those securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(g) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversion of the Series E Preferred Stock pursuant hereto provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Series E Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting the issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that the tax has been paid.

(h) In the event the Company shall (x) effect any capital reorganization or reclassification of its shares or (y) consolidate or merge with or into any other company (other than a consolidation or merger in which the Company is the surviving company and each share of Common Stock outstanding immediately prior to such consolidation or merger is to remain outstanding immediately after such consolidation or merger) or (z) sell, lease or transfer substantially all of its assets to any other person or entity for a consideration consisting in whole or in part of equity securities of such other company, the holders of shares of Series E Preferred Stock shall, receive upon conversion thereof, in lieu of each share of Common Stock into which the Series E Preferred Stock would have been convertible prior to such transaction, the same kind and amount of stock and other securities, cash or property as such holder would have been entitled to receive upon such transaction if such holder had held the Common Stock issuable upon conversion of the Series E Preferred Stock immediately prior to such transaction. The Company may not become a party to any such transaction unless the terms thereof are consistent with the foregoing.

9. Limit on Ownership of Series E Preferred Stock; Excess Preferred Shares. Shares of Series E Preferred Stock shall be subject to the applicable Limit (as defined in the Charter) and other provisions of Article NINTH of the Charter of the Company and to the following additional provisions set forth herein. Subject to the authority of the Board of Directors set forth in said Article NINTH, the Limit applicable to shares of the Series E Preferred Stock shall be the number of shares of Series E Preferred Stock that is equal to 9.8% of the then outstanding shares of Series E Preferred Stock or, if fewer, the number of shares of Series E Preferred Stock that, if then converted by the holder into shares of Common Stock as provided in Section 8, would make such holder or any other person the owner of a number of shares of Common Stock that would exceed the Limit applicable to Common Stock as set forth in Section 9.3.2.1 of the Charter of the Company.

14

FOURTH: The Series E Preferred Stock has been classified and designated by the Board of Directors of the Company under the authority contained in the Charter.

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

SIXTH: The undersigned Chairman of the Board, President and Chief Executive Officer 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 Chairman of the Board, President and Chief Executive Officer of the Company acknowledges that to the best of his 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, LTC PROPERTIES, INC. has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Chairman of the Board, President and Chief Executive Officer and attested to by its Corporate Secretary on this 16th day of September, 2003.

ATTEST:

LTC PROPERTIES, INC.

/s/ Alex J. Chavez
Name: Alex J. Chavez
Title: Corporate Secretary

By: /s/ Andre C. Dimitriadis (SEAL)
Name: Andre C. Dimitriadis
Title: Chairman of the Board, President and
Chief Executive Officer

15

APPENDIX III

**LTC PROPERTIES, INC.
ARTICLES SUPPLEMENTARY CLASSIFYING
4,000,000 SHARES OF
8% SERIES F CUMULATIVE PREFERRED STOCK**

LTC Properties, Inc., a Maryland corporation (the "Company"), certifies to the Maryland State Department of Assessments and Taxation (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 ("MGCL"), the Board of Directors has, by unanimous written consent dated February 17, 2004, adopted resolutions classifying and designating a separate series of authorized but unissued Preferred Stock (as defined in the Charter) to consist of a maximum of 4,000,000 shares of Preferred Stock, setting certain of the preferences, conversion and other

rights, voting powers, restrictions, qualifications and terms and conditions of redemption of such separate series of Preferred Stock, providing for the issuance of a maximum of 4,000,000 shares of such series of Preferred Stock and, pursuant to the powers contained in the bylaws of the Company (the "Bylaws") and the MGCL, appointing a committee (the "Preferred Stock Terms Committee") of the Board of Directors and delegating to the Preferred Stock Terms Committee, to the fullest extent permitted by Maryland law and the Charter and Bylaws of the Company, all powers of the Board of Directors with respect to classifying, designating and setting of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of such series of Preferred Stock and determining the number of shares of such series of Preferred Stock (not in excess of the aforesaid maximum number) to be classified and issued and the price and other terms and conditions upon which shares of such series of Preferred Stock are to be offered, sold and issued.

SECOND: Pursuant to the authority conferred upon the Preferred Stock Terms Committee as aforesaid, the Preferred Stock Terms Committee has, by unanimous written consent, duly adopted resolutions classifying 4,000,000 shares of authorized but unissued Preferred Stock as the aforesaid series of Preferred Stock, designating such series as "8% Series F Cumulative Preferred Stock", setting the preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications and terms and conditions of redemption of such 8% Series F Cumulative Preferred Stock (to the extent not set by the Board of Directors in the resolutions referred to in Article FIRST of these Articles Supplementary) and authorizing the issuance of up to 4,000,000 shares of 8% Series F Cumulative Preferred Stock.

THIRD: The series of Preferred Stock of the Company created by the resolutions duly adopted by the Board of Directors of the Company and by the Preferred Stock Terms Committee and referred to in Articles FIRST and SECOND of these Articles Supplementary shall have the following designation, number of shares, preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions which, upon any restatement of the Charter, shall be made a part of Article SEVENTH of the Charter, with any necessary or appropriate changes to the enumeration or lettering of sections or subsections thereof:

1. Designation and Number. A series of Preferred Stock, designated the "8% Series F Cumulative Preferred Stock" (the "Series F Preferred Stock"), is hereby established. The number of shares of the Series F Preferred Stock shall be 4,000,000.

2. Maturity. The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.

3. Rank. The Series F Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, the Series D Junior Participating Preferred Stock and to all equity securities ranking junior to the Series F Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; (ii) on a parity with the 9.5% Series A Cumulative Preferred Stock ("Series A Preferred Stock"), the 9.0% Series B Cumulative Preferred Stock ("Series B Preferred Stock"), the 8.5% Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock"), and the 8.5% Series E Cumulative Convertible Preferred Stock ("Series E Preferred Stock"), and with all equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Series F Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding up of the Company; and (iii) junior to all existing and future indebtedness of the Company. The term "equity securities" does not include convertible debt securities, which will rank senior to the Series F Preferred Stock prior to conversion.

4. Dividends.

(a) Holders of shares of the Series F Preferred Stock are entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, preferential cumulative cash dividends at the rate of 8% per annum of the Liquidation Preference (as defined below) per share (equivalent to a fixed annual amount of \$2.00 per share). Dividends on the Series F Preferred Stock shall be cumulative from the date of original issue and shall be payable quarterly in arrears on or before the 15th day of April, July, October and January of each year, or, if not a business day, the next succeeding business day (each, a "Dividend Payment Date"). The first dividend, which will be paid on April 15, 2004, will be for less than a full quarter. Such dividend and any dividend payable on the Series F Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Company at the close of business on the applicable record date, which shall be the last day of the calendar month first preceding the applicable Dividend Payment Date, or on such other date designated by the Board of Directors of the Company for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Notwithstanding any provision to the contrary contained herein, each outstanding share of Series F Preferred Stock shall be entitled to receive, and shall receive, a dividend with respect to each Dividend Record Date equal to the dividend paid with respect to each other share of Series F Preferred Stock which is outstanding on such Dividend Record Date.

(b) No dividends on shares of Series F Preferred Stock shall be declared by the Board of Directors or paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Notwithstanding the foregoing, dividends on the Series F Preferred Stock will accrue whether or not the Company has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series F Preferred Stock will not bear interest and holders of the Series F Preferred Stock will not be entitled to any distributions in excess of full cumulative distributions described above. Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Company or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series F Preferred Stock (other than a dividend in shares of the Company's Common Stock or in shares of any other class of stock ranking junior to the Series F Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series F Preferred Stock for all dividend periods ending prior to or on the most recent past Dividend Payment Date. When dividends are not paid in full for all such dividend periods (or a sum sufficient for such full payment is not so set apart) upon the Series F Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series F Preferred Stock, all dividends declared upon the Series F Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series F Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series F Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series F Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) bear to each other.

(d) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series F Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all dividend periods ending prior to or on the most recent past Dividend Payment Date, no dividends (other than in shares of Common Stock or other shares of capital stock ranking junior to the Series F Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any other capital stock of the Company ranking junior to or on a parity with the Series F Preferred Stock as to dividends or upon liquidation, nor shall any shares of Common Stock, or

any other shares of capital stock of the Company ranking junior to or on a parity with the Series F Preferred Stock as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital stock of the Company ranking junior to the Series F Preferred Stock as to dividends and upon liquidation or redemptions for the purpose of preserving the Company's qualification as a REIT). Holders of shares of the Series F Preferred

Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series F Preferred Stock as provided above. Any dividend payment made on shares of the Series F Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of shares of Series F Preferred Stock are entitled to be paid out of the assets of the Company legally available for distribution to its stockholders a liquidation preference of \$25 per share (the "Liquidation Preference"), plus an amount equal to any accrued and unpaid dividends to the date of payment, but without interest, before any distribution of assets is made to holders of Common Stock or any other class or series of capital stock of the Company that ranks junior to the Series F Preferred Stock as to liquidation rights. The Company will promptly provide to the holders of Series F Preferred Stock written notice of any event triggering the right to receive such Liquidation Preference. After payment of the full amount of the Liquidation Preference, plus any accrued and unpaid dividends to which they are entitled, the holders of Series F Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other corporation, trust or entity or of any other corporation with or into the Company, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed if the Company would be dissolved at the time of the distribution, to satisfy the preferential rights upon distribution of holders of shares of stock of the Company whose preferential rights upon distribution are superior to those receiving the distribution.

6. Redemption.

(a) The Series F Preferred Stock is not redeemable prior to February 23, 2009. On and after February 23, 2009, the Company, at its option upon not less than 30 nor more than 60 days' written notice, may redeem shares of the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption (except with respect to Excess Shares), without interest. Holders of Series F Preferred Stock to be redeemed shall surrender such Series F Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series F Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any shares of Series F Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series F Preferred Stock, such shares of Series F Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares will terminate, except the right to receive the redemption price. If less than all of the outstanding Series F Preferred Stock is to be redeemed, the Series F Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by the Company.

(b) Unless full cumulative dividends on all shares of Series F Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all dividend periods ending prior to or on the most recent past Dividend Payment Date, no shares of Series F Preferred Stock shall be redeemed unless all outstanding shares of Series F Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series F Preferred Stock (except by exchange for capital stock of the Company ranking junior to the Series F Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase by the Company of Excess Shares in order to ensure that the Company continues to meet the requirements for qualification as a REIT, or the purchase or acquisition of shares of Series F Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series F Preferred Stock. So long as no dividends are in arrears, the Company shall be entitled at any time and from time to time to repurchase shares of Series F Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

(c) Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice will be mailed by the Company, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series F Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Company. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series F Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series F Preferred Stock to be redeemed; (iv) the place or places where the Series F Preferred Stock is to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date. If less than all of the Series F Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series F Preferred Stock held by such holder to be redeemed.

(d) Immediately prior to any redemption of Series F Preferred Stock, the Company shall pay, in cash, any accumulated and unpaid dividends to the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of Series F Preferred Stock at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date.

(e) Excess Shares may be redeemed, in whole or in part, at any time when outstanding shares of Series F Preferred Stock are being redeemed, for cash at a redemption price of \$25 per share, but excluding accrued and unpaid dividends on such Excess Shares, without interest. Such Excess Shares shall be redeemed in such proportion and in accordance with such procedures as shares of Series F Preferred Stock are being redeemed.

7. Voting Rights.

(a) Holders of the Series F Preferred Stock will not have any voting rights, except as set forth below.

(b) Whenever (i) dividends on any shares of Series F Preferred Stock or Series E Preferred Stock shall be in arrears for six or more quarterly periods, or (ii) dividends on any shares of Series A Preferred Stock or Series B Preferred Stock shall be in arrears for eighteen or more months (each of (i) and (ii) are hereinafter referred to as a "Preferred Dividend Default"), the number of directors then constituting the Board of Directors shall be increased by two (if not already increased by reason of a similar arrearage with respect to any Parity Preferred (as hereinafter defined)). The holders of shares of Series F Preferred Stock (voting separately as a class with all other series of Preferred Stock ranking on a parity with the Series F Preferred Stock as to dividends or upon liquidation including, but not limited to, the Series A Preferred Stock, the Series B Preferred Stock and the Series E Preferred Stock ("Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote separately as a class, in order to fill the vacancies thereby created, for the election of a total of two additional directors of the Company (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the Series F Preferred Stock or the holders of record of at least 20% of any series of Parity Preferred so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until all dividends accumulated on such shares of Series F Preferred Stock, Series E Preferred Stock, Series A Preferred Stock and Series B Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In the event the directors of the Company are divided into classes, each such vacancy shall be apportioned among the classes of directors to prevent stacking in any one class and to insure that the number of directors in each of the classes of directors, are as equal as possible. Each Preferred Stock Director, as a qualification for election as such (and regardless of how elected) shall submit to the Board of Directors of the Company a duly executed, valid, binding and enforceable letter of resignation from the Board of Directors, to be effective upon the date upon which all dividends accumulated on such shares of Series F Preferred Stock and Parity Preferred for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment, whereupon the terms of office of all persons elected as Preferred Stock Directors by the holders of the Series F Preferred Stock and any Parity Preferred shall, upon the effectiveness of their respective letters of resignation, forthwith terminate, and the number of directors then constituting the Board of Directors shall be reduced accordingly. A quorum for any such meeting shall exist if at least a majority of the outstanding shares of Series F Preferred Stock and shares of Parity Preferred upon which like voting rights have been conferred and are exercisable are represented in person or by proxy at such meeting. Such Preferred Stock Directors shall be elected upon the affirmative vote of a plurality of the shares of Series F Preferred Stock and such Parity Preferred present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated

6

dividends and the dividend for the then current dividend period on the Series F Preferred Stock, Series E Preferred Stock, Series A Preferred Stock and Series B Preferred Stock shall have been paid in full or declared and set aside for payment in full, the holders of shares of Series F Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of the holders of record of a majority of the outstanding shares of the Series F Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series F Preferred Stock when they have the voting rights described above (voting separately as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(c) So long as any shares of Series F Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series F Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), amend, alter or repeal the provisions of the Charter or these Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series F Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of any Event set forth above, so long as the Series F Preferred Stock (or any equivalent class or series of stock issued by the surviving corporation in any merger or consolidation to which the Company became a party) remains outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the Series F Preferred Stock and provided, further that (i) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series F Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series F Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

7

(e) Except as expressly stated in these Articles Supplementary, the Series F Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action, including but not limited to, any merger or consolidation involving the Company or a sale of all or substantially all of the assets of the Company, irrespective of the effect that such merger, consolidation or sale may have upon the rights, preferences or voting power of the holders of the Series F Preferred Stock.

8. Conversion. The holders of Series F Preferred Stock shall not have any rights to convert such shares into, or exchange such shares for, shares of any other class or series of stock or any other securities of, or interest in, the Company.

9. Limit on Ownership of Series F Preferred Stock; Excess Preferred Shares. Shares of Series F Preferred Stock shall be subject to the limitations on ownership and transfer set forth in Article NINTH of the Charter of the Company, including the applicable Limit (as defined in the Charter) and other provisions of Article NINTH of the Charter. Subject to the authority of the Board of Directors set forth in said Article NINTH, the Limit applicable to shares of the Series F Preferred Stock shall be the number of shares of Series F Preferred Stock that is equal to 9.8% of the then outstanding shares of Series F Preferred Stock.

FOURTH: The Series F Preferred Stock has been classified and designated by the Board of Directors of the Company under the authority contained in the Charter.

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

SIXTH: The undersigned Chairman of the Board, President and Chief Executive Officer 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 Chairman of the Board, President and Chief Executive Officer of the Company acknowledges that to the best of his 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 Chairman of the Board, President and Chief Executive Officer and attested to by its Corporate Secretary on this 19th day of February, 2004.

ATTEST:

LTC PROPERTIES, INC.

/s/ Alex J. Chavez
Name: Alex J. Chavez
Title: Corporate Secretary

By: /s/ Andre C. Dimitriadis (SEAL)
Name: Andre C. Dimitriadis
Title: Chairman of the Board, President and
Chief Executive Officer

8

APPENDIX IV

LTC PROPERTIES, INC.

ARTICLES SUPPLEMENTARY CLASSIFYING AN ADDITIONAL 2,640,000 SHARES OF 8% SERIES F CUMULATIVE PREFERRED STOCK

LTC Properties, Inc., a Maryland corporation (the "Corporation"), certifies to the Maryland State Department of Assessments and Taxation (the "Department") that:

FIRST: By Articles Supplementary filed with the Department on February 19, 2004 (the "February 19, 2004 Articles Supplementary"), the Corporation classified 4,000,000 shares of its authorized but unissued Preferred Stock, par value \$.01 per share ("Preferred Stock"), as a separate series of Preferred Stock designated as "8% Series F Cumulative Preferred Stock" (the "Series F Preferred Stock"), and set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions of such Series F Preferred Stock, all as set forth in the February 19, 2004 Articles Supplementary.

SECOND: The Board of Directors of the Corporation (the "Board of Directors"), by unanimous written consent dated February 17, 2004, and a duly appointed committee of the Board of Directors (the "Preferred Stock Terms Committee"), by unanimous written consent dated February 18, 2004, pursuant to the authority conferred on the Preferred Stock Terms Committee by the Board of Directors, adopted resolutions which authorized the issuance of 4,000,000 shares of Series F Preferred Stock.

THIRD: Pursuant to the authority expressly vested in the Board of Directors of the Corporation by Article SEVENTH of the Corporation'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 ("MGCL"), the Board of Directors, by unanimous written consent dated July 15, 2004, and the Preferred Stock Terms Committee, by unanimous written consent adopted on July 15, 2004, pursuant to the authority conferred on the Preferred Stock Terms Committee by the Board of Directors, adopted resolutions which classified 2,640,000 shares of authorized but unissued Preferred Stock as additional shares of Series F Preferred Stock, having the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions as set forth in the February 19, 2004 Articles Supplementary, and authorized the issuance of up to 2,640,000 of such additional Series F Preferred Stock.

FOURTH: The additional 2,640,000 shares of Series F Preferred Stock have been classified and designated by the Board of Directors, and the Preferred Stock Terms Committee, under the authority contained in the Charter, such that the additional 2,640,000 shares of Series F Preferred Stock, combined with the 4,000,000 shares of Series F Preferred Stock classified in the February 19, 2004 Articles Supplementary, will comprise one and the same series of Preferred Stock of the Corporation.

FIFTH: These Articles Supplementary have been approved by the Board of Directors, and the Preferred Stock Terms Committee, pursuant to the authority conferred upon the Preferred Stock Terms Committee by the Board of Directors, in the manner and by the vote required by law. No stockholder of the Corporation has any voting rights with respect to these Articles Supplementary.

SIXTH: The total number of shares of Preferred Stock that the Corporation has authority to issue is 15,000,000 shares. Immediately prior to the adoption of the July 15, 2004 resolutions by the Preferred Stock Terms Committee, and the filing of these Articles Supplementary, the total number of shares of Preferred Stock of the Corporation classified as Series F Preferred Stock was 4,000,000 shares. Immediately following the adoption of the July 15, 2004 resolutions by the Preferred Stock Terms Committee, and the filing of these Articles Supplementary, the total number of shares of Preferred Stock of the Corporation classified as Series F Preferred Stock is 6,640,000 shares.

SEVENTH: The undersigned Chairman of the Board of Directors, President and Chief Executive Officer of the Corporation acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Chairman of the Board of Directors, President and Chief Executive Officer acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Chairman of the Board, President and Chief Executive Officer and attested to by its Corporate Secretary on this 15th day of July, 2004.

ATTEST:

LTC PROPERTIES, INC.

/s/ Alex J. Chavez
Name: Alex J. Chavez
Title: Corporate Secretary

By: /s/ Andre C. Dimitriadis (SEAL)
Name: Andre C. Dimitriadis
Title: Chairman of the Board, President and

BYLAWS
OF
LTC PROPERTIES, INC.
As Amended and Restated
August 3, 2009

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I MEETINGS OF STOCKHOLDERS	4
1.01 PLACE	4
1.02 ANNUAL MEETING	4
1.03 SPECIAL MEETINGS	4
1.04 NOTICE	4
1.05 SCOPE OF NOTICE	5
1.06 QUORUM	5
1.07 VOTING	5
1.08 PROXIES	5
1.09 CONDUCT OF MEETINGS	5
1.10 TABULATION OF VOTES	6
1.11 INFORMAL ACTION BY STOCKHOLDERS	6
1.12 VOTING BY BALLOT	6
1.13 ADVANCE NOTICE OF CERTAIN MATTERS	6
ARTICLE II DIRECTORS	8
2.01 GENERAL POWERS	8
2.02 OUTSIDE ACTIVITIES	8
2.03 OUTSIDE MANAGEMENT	8
2.04 NUMBER, TENURE, QUALIFICATION, NOMINATION AND ELECTION	8
2.05 ANNUAL AND REGULAR MEETINGS	10
2.06 SPECIAL MEETINGS	10
2.07 NOTICE	10
2.08 QUORUM	11
2.09 VOTING	11
2.10 CONDUCT OF MEETINGS	11
2.11 RESIGNATIONS	11
2.12 VACANCIES	11
2.13 INFORMAL ACTION BY DIRECTORS	11
2.14 COMPENSATION	11
2.15 TELEPHONIC MEETINGS	12
ARTICLE III COMMITTEES	12
3.01 NUMBER, TENURE AND QUALIFICATION	12
3.02 DELEGATION OF POWER	12
3.03 QUORUM AND VOTING	12
3.04 CONDUCT OF MEETINGS	12
3.05 INFORMAL ACTION BY COMMITTEES	12
ARTICLE IV OFFICERS	13
4.01 ENUMERATION	13
4.02 POWERS AND DUTIES	13
4.03 REMOVAL	13
4.04 OUTSIDE ACTIVITIES	13
4.05 VACANCIES	13
4.06 CHAIRMAN OF THE BOARD	13
4.07 PRESIDENT	14
4.08 VICE PRESIDENTS	14
4.09 SECRETARY	14
4.10 TREASURER	14
4.11 ASSISTANT SECRETARIES AND ASSISTANT TREASURERS	15
4.12 SALARIES	15
ARTICLE V SHARES OF STOCK	15

5.01	CERTIFICATES OF STOCK	15
5.02	STOCK LEDGER	15
5.03	RECORDING TRANSFERS OF STOCK	16
5.04	LOST CERTIFICATE	16
5.05	CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE	16
ARTICLE VI DIVIDENDS AND DISTRIBUTIONS		17
6.01	DECLARATION	17
6.02	CONTINGENCIES	17
ARTICLE VII INDEMNIFICATION		17
7.01	INDEMNIFICATION OF OFFICERS	17
7.02	ADVANCE OF EXPENSES	17
7.03	INSURANCE	18
ARTICLE VIII NOTICES		18
8.01	NOTICES	18
8.02	SECRETARY TO GIVE NOTICE	18
8.03	WAIVER OF NOTICE	18

ARTICLE IX MISCELLANEOUS		19
9.01	BOOKS AND RECORDS	19
9.02	INSPECTION OF BYLAWS AND CORPORATE RECORDS	19
9.03	CONTRACTS	19
9.04	CHECKS, DRAFTS, ETC.	19
9.05	DEPOSITS	19
9.06	LOANS	19
9.07	FISCAL YEAR	20
9.08	REPORTS AND OTHER INFORMATION	20
9.09	BYLAWS SEVERABLE	20
ARTICLE X AMENDMENT OF BYLAWS		21
10.1	BY DIRECTORS	21
10.2	BY STOCKHOLDERS	21
10.3	EXCEPTION FOR INDEMNIFICATION	21

BYLAWS

OF

LTC PROPERTIES, INC.

As Amended and Restated

August 3, 2009

ARTICLE I

MEETINGS OF STOCKHOLDERS

1.01. PLACE. All meetings of the holders of the issued and outstanding capital stock of the Corporation (the "Stockholders") shall be held at the principal office of the Corporation in Westlake Village, California or at such other place within the United States as shall be stated in the notice of the meeting.

1.02. ANNUAL MEETING. An annual meeting of the Stockholders for the election of Directors and the transaction of any business within the powers of the Corporation shall be held on the last Thursday of April, or at such other date and time as may be fixed by the Board of Directors. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held at the same time on the next succeeding business day.

1.03. SPECIAL MEETINGS. The Chairman of the Board (if any), the President or a majority of the Board of Directors may call special meetings of the Stockholders. Special meetings of Stockholders shall also be called by the Secretary upon the written request of the holders of shares entitled to cast not less than 25% of all the votes entitled to be cast at such meeting. Such request shall state the purpose or purposes of such meeting and the matters proposed to be acted on thereat. The Secretary shall inform the Stockholders who make any such request of the reasonably estimated cost of preparing and mailing a notice of the special meeting and on payment of these costs to the Corporation, the Secretary will notify each Stockholder entitled to notice of the meeting. Unless requested by Stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any special meeting of the Stockholders held during the preceding twelve (12) months. The date, time, place and record date for any such special meeting, including a meeting called at the request of Stockholders, shall be established by the Board of Directors or Officer calling the same. See 2-502.

1.04. NOTICE. Not less than ten (10) nor more than ninety (90) days before the date of every meeting of Stockholders, written or printed notice of such meeting shall be given, in accordance with Section 8.01 of these Bylaws, to each Stockholder entitled to vote or entitled to notice by statute, stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by statute, the purpose or purposes for which the meeting is called.

4

1.05. SCOPE OF NOTICE. No business shall be transacted at a special meeting of Stockholders except that specifically designated in the notice. Any business of the Corporation may be transacted at the annual meeting without being specifically designated in the notice, except such business as is required by statute to be stated in such notice.

1.06. QUORUM. At any meeting of Stockholders, the presence in person or by proxy of Stockholders entitled to cast a majority of all votes entitled to be cast at the meeting shall constitute a quorum; but this Section shall not affect any requirement under any statute or the Charter of the Corporation (the "Charter") for the vote necessary for the adoption of any measure. If, however, a quorum is not present at any meeting of the Stockholders, the Presiding Officer (as hereinafter defined) of the meeting, or the Stockholders present in person or by proxy, shall have the power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum is present and the meeting so adjourned may be reconvened without further notice. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally notified. The Stockholders present at a meeting which has been duly called and convened and at which a quorum is present at the time counted may continue to transact business until adjournment, notwithstanding the withdrawal of enough Stockholders to leave less than a quorum.

1.07. VOTING. A plurality of all the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each Share (as hereinafter defined) may be voted for as many individuals as there are Directors to be elected and for whose election the share is entitled to vote. A majority of the votes cast at a meeting of Stockholders duly called and at which a quorum is present shall be sufficient to take or authorize action upon any other matter which may properly come before the meeting, unless more than a majority of the votes cast is specifically required by statute, by the Charter or by these Bylaws. Unless otherwise provided in the Charter, each outstanding share (a "Share") of capital stock of the Corporation (the "Stock"), regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of Stockholders. Shares of its own Stock directly or indirectly owned by this Corporation shall not be voted in any meeting and shall not be counted in determining the total number of outstanding Shares entitled to vote at any given time, but Shares of its own Stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding Shares at any given time.

1.08. PROXIES. A Stockholder may vote the Shares owned of record by him or her, either in person or by proxy executed by the Stockholder or by his or her duly authorized agent or attorney in fact in any manner permitted by law. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

1.09. CONDUCT OF MEETINGS. The Chairman of the Board (if any) or, in the absence of the Chairman, the President, or, in the absence of the Chairman, President and Vice Presidents, a presiding officer elected at the meeting, shall preside over meetings of the Stockholders (in each case the "Presiding Officer"). The Secretary of the Corporation, or, in the absence of the Secretary, an Assistant Secretary or, in the absence of an Assistant Secretary, the person appointed by the Presiding Officer of the meeting shall act as secretary of such meeting. The order of business and all other matters of procedure at any meeting of Stockholders shall be determined by the Presiding Officer of the meeting. The Presiding Officer of the meeting may prescribe such rules, regulations and procedures and take such action as in the discretion of such Presiding Officer are appropriate for the proper conduct of the meeting.

5

1.10. TABULATION OF VOTES. At any annual or special meeting of Stockholders, the Presiding Officer shall be authorized to appoint one or more inspectors of election or Teller(s) for such meeting. The Teller(s) may, but need not, be an officer, employee or agent of the Corporation. The Teller shall be responsible for tabulating or causing to be tabulated shares voted at the meeting and reviewing or causing to be reviewed all proxies. In tabulating votes, the Teller(s) shall be entitled to rely in whole or in part on tabulations and analyses made by personnel of the Corporation, its counsel, its transfer agent, its registrar or such other organizations that are customarily employed to provide such services. The Teller(s) shall be authorized to determine the legality and sufficiency of all votes cast and proxies delivered under both the Charter and these Bylaws and applicable law. The Presiding Officer may review all determinations made by the Teller(s) hereunder, and in doing so the presiding Officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the Teller(s).

1.11. INFORMAL ACTION BY STOCKHOLDERS. An action required or permitted to be taken at a meeting of Stockholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by all the Stockholders entitled to vote on the subject matter thereof and any other Stockholders entitled to notice of a meeting of Stockholders (but not to vote thereat) have waived in writing any rights which they may have to dissent from such action, and such consents and waivers are filed with the minutes of proceedings of the Stockholders. Such consents and waivers may be signed by different Stockholders on separate counterparts.

1.12. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding Officer shall order or any Stockholder shall demand that voting be by ballot.

1.13. ADVANCE NOTICE OF CERTAIN MATTERS.

1.13.1. Matters (other than nominations of candidates for election as directors of the Corporation) may be properly brought before any annual meeting of Stockholders only (i) by, or at the direction of, a majority of the Board of Directors or a duly authorized committee thereof or (ii) by any holder of record (both as of the time notice of such matter is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation's capital stock entitled to vote at such annual meeting who complies with the notice procedures of this Section 1.13. Any Stockholder who seeks to bring any matter before any annual meeting, or his representative, must be present in person at the annual meeting. Nominations of candidates for election as directors of the Corporation at any annual meeting may be made only as provided in Section 2.04.3.

Matters, other than matters brought before an annual meeting by, or at the direction of, the Board of Directors or a duly authorized committee thereto, shall be brought before the meeting only pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 1.13. To be timely, a Stockholder's notice shall be delivered to, or

6

mailed and received at, the principal executive offices of the Corporation not less than 60 days nor more than 150 days prior to the first anniversary of the last annual meeting of Stockholders. Each such Stockholder notice shall set forth (i) as to each matter the Stockholder proposes to bring before the annual meeting, (a) a brief description of the

matter desired to be brought before the annual meeting and the reasons for bringing such matter before the annual meeting and (b) any material interest of the Stockholder in such matter; and (ii) as to the Stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such Stockholder and any other Stockholders known by such Stockholder to be supporting the bringing of such matter before the annual meeting as of the date of such Stockholder notice and (b) the class and number of shares of the Corporation's capital stock which are beneficially owned by such Stockholder on the date of such Stockholder's notice and by any other Stockholders known by such Stockholder to be supporting the bringing of such matter before the annual meeting as of the date of such Stockholder's notice.

1.13.2. If the Board of Directors, or a designated committee thereof, determines that notice of any matter proposed to be brought before an annual meeting by any Stockholder was not timely given in accordance with the terms of this Section 1.13, or the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section 1.13 in any material respect, then the Board of Directors or such committee, as the case may be shall declare that such matter shall not be considered at the annual meeting in question; provided, however, if such Stockholder's notice was duly received at least 15 days in advance of the last date on which such notice could have been timely given, then the Secretary of the Corporation shall, within 10 days after the Secretary's receipt of such notice, notify such Stockholder of the deficiency in the notice. Such Stockholder receiving such notice from the Secretary shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five days from the date such deficiency notice is given to the Stockholder, as the Board of Directors such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee reasonably determines that the additional information provided by the Stockholder, together with information previously provided, does not satisfy the requirements of this Section 1.13 in any material respect, then the Board of Directors shall declare that the matter proposed by the Stockholder shall not be considered at the annual meeting in question,

1.13.3. If neither the Board of Directors nor such committee makes a determination as to the validity of any matter proposed to be brought before any annual meeting by a Stockholder as set forth above, the Presiding Officer of the annual meeting shall determine and declare at the annual meeting whether the Stockholder complied with the terms of this Section 1.13 with respect to such matter. If the Presiding Officer determines that the Stockholder complied with the terms of this Section 1.13 with respect to such matter, he shall so declare at the annual meeting and such matter shall be brought before the annual meeting. If the Presiding Officer determines that the Stockholder did not comply with the terms of this Section 1.13 with respect to such matter, he shall so declare at the annual meeting and such matter shall not be brought before the annual meeting.

1.13.3. Notwithstanding the foregoing provisions of this Section 1.13, a Stockholder shall also comply with all applicable requirements of state law and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 1.13. Nothing in this Section 1.13 shall be deemed to affect any right of a Stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

ARTICLE II

DIRECTORS

2.01. GENERAL POWERS. The business and affairs of the Corporation shall be managed by its Board of Directors.

2.02. OUTSIDE ACTIVITIES. The Board of Directors and its members are required to spend only such time managing the business and affairs of the Corporation as is necessary to carry out their duties in accordance with Section 2-405.1 of the Maryland General Corporation Law. The Board of Directors, each Director, and the agents, Officers and employees of the Corporation or of the Board of Directors or of any Director may engage with or for others in business activities of the types conducted by the Corporation; none of them has an obligation to notify or present to the Corporation or each other any investment opportunity that may come to such person's attention even though such investment might be within the scope of the Corporation's purposes or various investment objectives. Any interest (including any interest as defined in Section 2-419(a) of the Maryland General Corporation Law) that a Director has in any investment opportunity presented to the Corporation must be disclosed by such Director to the Board of Directors (and, if voting thereon, to the Stockholders or to any committee of the Board of Directors) within ten (10) days after the later of the date upon which such Director becomes aware of such interest or that the Corporation is considering such investment opportunity. If such interest comes to the interested Director's attention after a vote to take such investment opportunity, the voting body shall reconsider such investment opportunity if not already consummated or implemented.

2.03. OUTSIDE MANAGEMENT. The Board of Directors may delegate some or all of the duties of management of the assets and the administration of the Corporation's day-to-day business operations to one or more advisors pursuant to a written contract or contracts approved by the Board of Directors.

2.04. NUMBER, TENURE, QUALIFICATION, NOMINATION AND ELECTION.

2.04.1 The number of Directors of the Corporation shall be six (6), unless a majority of the Board of Directors establishes some other number not less than three (3) and not more than nine (9). Notwithstanding the foregoing, upon the occurrence of a default in the payment of dividends on any class or series of preferred stock, or any other event, which will entitle the holders of any class or series of preferred stock to elect additional directors of the Corporation, the number of directors of the Corporation will thereupon be increased by the number of additional directors to be elected by the holders of such class or series of preferred stock (even if the resulting number of directors is more than 9), and such increase in the number of directors shall remain in effect for so long as the holders of such class or series of preferred stock are entitled to elect such additional directors.

2.04.2 The Stockholders shall elect the number of Directors so established, if and to the extent there are nominees duly nominated in accordance with these Bylaws. Ballots bearing the names of all the persons who have been duly nominated for election as directors at an annual meeting of Stockholders in accordance with the procedures set forth in this Section 2.04 shall be provided for use at the annual meeting.

2.04.3 Nominations of candidates for election as Directors of the Corporation at any annual meeting of Stockholders may be made (i) by, or at the direction of, a majority of the Board of Directors or a duly authorized committee thereof (which committee in the case of any nomination of a director who is to be an Independent Director (as hereinafter defined) shall have a majority of Independent Directors) or (ii) by any holder of record (both as of the time notice of such nomination is given by the Stockholder as set forth below and as of the record date for the annual meeting in question) of any shares of the Corporation's capital stock entitled to vote at such annual meeting who complies with the notice procedures of this Section 2.04. Any Stockholder who seeks to make such a nomination, or his representative, must be present in person at the annual meeting. Only persons nominated in accordance with the procedures set forth in this Section 2.04 shall be eligible for election as Directors at an annual meeting. An Independent Director shall be a Director who meets the requirement of "independent" under the rules of the New York Stock Exchange or other national securities exchange on which the Shares of common stock of the Corporation are then listed.

Nominations, other than those made by, or at the direction of, the Board of Directors or a duly authorized committee thereto, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 2.04. To be timely, a Stockholder's notice shall be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 60 days nor more than 150 days prior to the first anniversary of the last annual meeting of Stockholders. Each such Stockholder notice shall set forth (i) as to each person whom the Stockholder proposes to nominate for election or reelection as a Director and as to the Stockholder giving the notice (a) the name, age, business address and residence address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such Stockholder notice, (d) such nominee's consent to serve as a Director if elected and (e) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as may be deemed necessary or desirable by the Corporation's counsel, in the exercise of his or her discretion; and (ii) as to the Stockholder giving the notice (a) the name and address, as they appear on the Corporation's books, of such Stockholder and any other Stockholders known by such Stockholder to be supporting such nominees and (b) the class and number of shares of the Corporation's capital stock which are beneficially owned by such Stockholder on the date of such Stockholder notice and by any other Stockholders known by such Stockholder to be supporting such nominees on the date of such Stockholder notice. At the request of the Board of Directors or a committee appointed by it, any persons nominated by, or at the direction of, the Board or such committee for election as a Director at an annual meeting shall furnish to the Secretary of the Corporation that information required to be set forth in a Stockholder's notice of nomination which pertains to the nominee.

2.04.4 If the Board of Directors, or a designated committee thereof, determines that any Stockholder nomination was not timely made in accordance with the terms of this Section 2.04, or the information provided in a Stockholder's notice does not satisfy the informational requirements of this Section 2.04 in any material respect, then the Board of Directors or such committee, as the case may be, shall reject such Stockholder nomination and such nomination shall not be considered at the annual meeting in question; provided, however, if such Stockholder's notice was duly received at least 15 days in advance of the last date on which such notice could have been timely made, then the Secretary of the corporation shall, within 10 days after the Secretary's receipt of such notice, notify such Stockholder of the deficiency in the notice. Such Stockholder receiving such notice from the Secretary shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed five days from the date such deficiency notice is given to the Stockholder, as the Board of Directors or such committee shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors or such committee reasonably determines that the additional information provided by the Stockholder, together with information previously provided, does not satisfy the requirements of this Section 2.04 in any material respect, then the Board of Directors shall reject such Stockholder's nomination and such nomination shall not be considered at the annual meeting in question.

2.04.5 If neither the Board of Directors nor such committee makes a determination as to the validity of any nominations by a Stockholder as set forth above, the Presiding Officer of the annual meeting shall determine and declare at the annual meeting whether a nomination was made in accordance with the terms of this Section 2.04. If the Presiding Officer determines that a nomination was made in accordance with the terms of this Section 2.04, he shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to such nominee. If the Presiding Officer determines that a nomination was not made in accordance with the terms of this Section 2.04, he shall so declare at the annual meeting and such nomination shall be disregarded.

2.05. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors may be held immediately after and at the same place as the annual meeting of Stockholders, or such other time and place, either within or without the State of Maryland, as is selected by resolution of the Board of Directors, and no notice other than these Bylaws or such resolution shall be necessary. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Board of Directors without other notice than such resolutions.

2.06. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board (if any), the President or a majority of the Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Board of Directors called by them.

2.07. NOTICE. Notice of any special meeting to be provided herein shall be given, in accordance with Section 8.01, by written notice delivered personally or by electronic mail, telegraphed or telecopied to each Director at his or her business or residence at least twenty-four (24) hours, or by mail at least five (5) days, prior to the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be specified in the notice, unless specifically required by statute or these Bylaws.

2.08. QUORUM. A majority of the Directors then in office shall constitute a quorum for transaction of business at any meeting of the Board of Directors; provided, however that a quorum for transaction of business with respect to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall consist of a majority of the Directors, including a majority of the Independent Directors, then in office.

2.09. VOTING. Except as otherwise required by law or by the Charter, the act of a majority of Directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors, except that no act relating to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall be the act of the Board unless a majority of the Independent Directors on the Board vote for such act.

2.10. CONDUCT OF MEETINGS. All meetings of the Board of Directors shall be called to order and presided over by the Chairman of the Board (if any), or in the absence of the Chairman of the Board by the President (if a member of the Board of Directors), or, in the absence of the Chairman of the Board or the President, by a member of the Board of Directors selected by the members present. The Secretary of the Corporation shall act as secretary at all meetings of the Board of Directors, and in the absence of the Secretary and Assistant Secretaries, the presiding Officer of the meeting shall designate any person to act as secretary of the meeting. Members of the Board of Directors may participate in meetings of the Board of Directors by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes.

2.11. RESIGNATIONS. Any Director may resign from the Board of Directors or any committee thereof at any time. Such resignation shall be made in writing and shall take effect at the time specified herein, or if no time be specified, at the time of the receipt of notice of such resignation by the President or the Secretary.

2.12. VACANCIES. A vacancy which arises through the death, resignation or removal of a Director or as a result of an increase by the Board of Directors in the number of Directors may be filled by the vote of a majority of the remaining Directors, even if such majority is less than a quorum, and a Director so elected by the Board of Directors to fill a vacancy shall serve until the next annual meeting of Stockholders and until his successor shall be duly elected and qualified.

2.13. INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by all of the Directors and such consent is filed with the minutes of proceedings of the Board of Directors. Consents may be signed or given by different Directors on separate counterparts.

2.14. COMPENSATION. An annual fee for services and payment for expenses of attendance at each meeting of the Board of Directors, or of any committee thereof, may be allowed to any Director by resolution of the Board of Directors.

11

2.14. TELEPHONIC MEETINGS. Directors may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

ARTICLE III

COMMITTEES

3.01. NUMBER, TENURE AND QUALIFICATION. The Board of Directors may appoint from among its members an Executive Committee and other committees, composed of one or more Directors, to serve at the pleasure of the Board of Directors. If any committee may take or authorize any act as to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has or may have any interest, a majority of the members of such committee shall be Independent Directors, except that any such committee consisting of only two Directors may have one Independent Director and one Director who is not an Independent Director.

3.02. DELEGATION OF POWER. The Board of Directors may delegate to these committees in the intervals between meetings of the Board of Directors any of the powers of the Board of Directors to manage the business and affairs of the Corporation, except those powers which the Board of Directors is specifically prohibited from delegating pursuant to Section 2-411 of the Maryland General Corporation Law.

3.03. QUORUM AND VOTING. A majority of the members of any committee shall constitute a quorum for the transaction of business by such committee, and the act of a majority of the quorum shall constitute the act of the committee, except that no act relating to any matter in which any Director (or affiliate of such Director) who is not an Independent Director has any interest shall be the act of any committee unless a majority of the Independent Directors on the committee vote for such act.

3.04. CONDUCT OF MEETINGS. Each committee shall designate a presiding Officer of such committee, and if not present at a particular meeting, the committee shall select a presiding officer for such meeting. Members of any committee may participate in meetings of such committee by conference telephone or similar communications equipment by means of which all Directors participating in the meeting can hear each other at the same time, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for all purposes. Each committee shall keep minutes of its meetings, and report the results of any proceedings at the next succeeding annual or regular meeting of the Board of Directors.

3.05. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by all members of the committee and such consent is filed with the minutes of proceedings of such committee. Consents may be signed or given by different members on separate counterparts.

12

ARTICLE IV

OFFICERS

4.01. ENUMERATION. The Officers of the Corporation shall consist of a President, a Treasurer and a Secretary, and may also consist of a Chairman of the Board, one or more Vice Presidents, Assistant Treasurers, Assistant Secretaries and other Officers as the Board of Directors may from time to time elect or appoint.

4.02. POWERS AND DUTIES. The President, Treasurer and Secretary of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of Stockholders. If the election of such Officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. The Board of Directors may elect or appoint such other Officers as they determine at any time. Each Officer shall hold office until his successor is duly elected and qualifies or until his death, resignation or removal in the manner hereinafter provided, or until the office to which he is elected (if other than that of President, Treasurer or Secretary) is terminated by the Board of Directors. Any two or more offices except President and Vice President may be held by the same person. Election or appointment of an Officer or agent shall not of itself create contract rights between the Corporation and such Officer or agent.

4.03. REMOVAL. Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. The fact that a person is elected or appointed to an office, whether or not for a specified term, shall not by itself constitute any undertaking or evidence of any employment obligation of the Corporation to that person.

4.04. OUTSIDE ACTIVITIES. Any interest (including any interest as defined in Section 2-419(a) of the Maryland General Corporation Law as if the Officer or agent were a Director of the Corporation) that an Officer or an agent has in any investment opportunity presented to the Corporation must be disclosed by such Officer or agent to the Board of Directors (and, if voting thereon, to the Stockholders or to any committee of the Board of Directors) within ten (10) days after the later of the date upon which such Officer or agent becomes aware of such interest or that the Corporation is considering such investment opportunity. If such interest comes to the attention of the interested Officer or agent after a vote to take such investment opportunity, the voting body shall reconsider such investment opportunity if not already consummated or implemented.

4.05. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

4.06. CHAIRMAN OF THE BOARD. The Chairman of the Board, if one is elected, shall preside at all meetings of the Stockholders and of the Board of Directors. The Chairman of the Board may sign and execute all authorized deeds, mortgages, bonds, contracts or other instruments in the name of the Corporation except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or agent of the Corporation or shall be required by law to be otherwise signed or executed.

13

4.07. PRESIDENT. Unless the Board of Directors shall otherwise determine in favor of the Chairman of the Board or any other Officer of the Corporation, the President shall be the Chief Executive Officer and general manager of the Corporation and shall in general supervise and control all of the business and affairs of the

Corporation. In the absence of the Chairman of the Board (if any), the President shall preside at all meetings of the Stockholders and of the Board of Directors (if a member of the Board of Directors). The President may sign any deed, mortgage, bond, contract or other instruments on behalf of the Corporation except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other Officer or agent of the Corporation or shall be required by law to be otherwise signed or executed. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.08. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Every Vice President shall perform such other duties as from time to time may be assigned to him or her by the President or the Board of Directors.

4.09. SECRETARY. The Secretary shall (i) keep the minutes of the proceedings of the Stockholders and Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be custodian of the corporate records of the Corporation; (iv) unless a transfer agent is appointed, keep a register of the post office address of each Stockholder that shall be furnished to the Secretary by such Stockholder and have general charge of the Stock Ledger of the Corporation; (v) when authorized by the Board of Directors or the President, attest to or witness all documents requiring the same; (vi) perform all duties as from time to time may be assigned to him or her by the President or by the Board of Directors; and (vii) perform all the duties generally incident to the office of secretary of a corporation.

4.10. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at the regular meetings of the Board of Directors or whenever they may require it, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. The Board of Directors may engage a Custodian to perform some or all of the duties of the Treasurer, and if a Custodian is so engaged then the Treasurer shall be relieved of the responsibilities set forth herein to the extent delegated to such Custodian and, unless the Board of Directors otherwise determines, shall have general supervision over the activities of such Custodian. The Custodian shall not be an Officer of the Corporation.

14

4.11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. Assistant Secretaries and Assistant Treasurers (if any) (i) shall have the power to perform and shall perform all the duties of the Secretary and the Treasurer, respectively, in such respective Officer's absence and (ii) shall perform such duties as shall be assigned to him or her by the Secretary or Treasurer, respectively, or by the President or the Board of Directors.

4.12. SALARIES. The salaries, if any, of the Officers shall be fixed from time to time by the Board of Directors. No Officer shall be prevented from receiving such salary, if any, by reason of the fact that he or she is also a Director of the Corporation.

ARTICLE V

SHARES OF STOCK

5.01. CERTIFICATES OF STOCK. Except as otherwise provided in these Bylaws, this Section 5.01 and the other sections of Article V of these Bylaws shall not be interpreted to limit the authority of the Board of Directors to authorize the issuance of some or all of the Shares of any or all classes or series of the Company's Stock without certificates. Each Stockholder shall be entitled to a certificate for the Shares of Stock of the Corporation held by such Stockholder, other than Shares of such Stock issued without certificates pursuant to authorization of the Board of Directors, in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman, President, or any Vice President and countersigned by the Treasurer, Secretary, or any Assistant Treasurer or Assistant Secretary. The Corporation seal and the signatures by Corporation officers may be facsimile if the certificate is manually countersigned by an authorized person on behalf of a transfer agent or registrar other than the Corporation or its employee. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

5.02. STOCK LEDGER. The Corporation shall maintain at its principal office in Westlake Village, California (or any subsequent address selected by the Board of Directors) or at the office of its counsel, accountants or transfer agent, an original or duplicate Stock Ledger containing the names and addresses of all the Stockholders and the number of shares of each class held by each Stockholder. The Stock Ledger shall be maintained pursuant to a system that the Corporation shall adopt allowing for the issuance, recordation and transfer of its Stock by electronic or other means that can be readily converted into written form for visual inspection. Such system shall include provisions for notice to acquirers of Stock (whether upon issuance or transfer of Stock) in accordance with Sections 2-210 and 2-211 of the Maryland General Corporation Law, and Section 8-204 of the Commercial Law Article of the State of Maryland. The Corporation shall be entitled to treat the holder of record of any Share or Shares as the

15

holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland. Until a transfer is duly effected on the Stock Ledger, the Corporation shall not be affected by any notice of such transfer, either actual or constructive. Nothing herein shall impose upon the Corporation, the Board of Directors or Officers or their agents and representatives a duty or limit their rights to inquire as to the actual ownership of Shares.

5.03. RECORDING TRANSFERS OF STOCK. If transferred in accordance with any restrictions on transfer contained in the Charter, these Bylaws or otherwise, Shares shall be recorded as transferred in the Stock Ledger upon provision to the Corporation or the transfer agent of the Corporation of an executed stock power duly guaranteed and any other documents reasonably requested by the Corporation, and the surrender of the certificate or certificates, if any, representing such Shares. Upon receipt of such documents, the Corporation shall issue the statements required by Sections 2-210 and 2-211 of the Maryland General Corporation Law and Section 8-204 of the Commercial Law Article of the State of Maryland, issue as needed a new certificate or certificates (if the transferred Shares were certificated) to the persons entitled thereto, cancel any old certificates and record the transaction upon its books.

5.04. LOST CERTIFICATE. The Board of Directors may direct a new certificate to be issued in the place of any certificate theretofore issued by the Corporation alleged to have been stolen, lost or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be stolen, lost or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such stolen,

lost or destroyed certificate or his legal representative to advertise the same in such manner as it shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise by reason of the issuance of a new certificate.

5.05. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE.

5.5.1. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining Stockholders entitled to notice of, or to vote at, any meeting of Stockholders, or Stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of Stockholders for any other proper purpose. Such date, in any case, shall be not more than sixty (60) days, and in case of a meeting of Stockholders not less than ten (10) days, prior to the date on which the meeting or particular action requiring such determination of Stockholders is to be held or taken.

5.5.2. If, in lieu of fixing a record date, the stock transfer books are closed by the Board of Directors in accordance with Section 2-511 of the Maryland General Corporation Law for the purpose of determining Stockholders entitled to notice of or to vote at a meeting of Stockholders, such books shall be closed for at least ten (10) days immediately preceding such meeting.

16

5.5.3. If no record date is fixed and the stock transfer books are not closed for the determination of Stockholders, (a) the record date for the determination of Stockholders entitled to notice of, or to vote at, a meeting of Stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of Stockholders entitled to receive payment of a dividend or an allotment of and rights shall be at the close of business on the day on which the resolution of the Board of Directors, declaring the dividend or allotment of rights, is adopted.

5.5.4. When a determination of Stockholders entitled to vote at any meeting of Stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

ARTICLE VI

DIVIDENDS AND DISTRIBUTIONS

6.01. DECLARATION. Dividends and other distributions upon the Stock may be declared by the Board of Directors as set forth in the applicable provisions of the Charter and any applicable law, limited only to the extent of Section 2-311 of the Maryland General Corporation Law. Dividends and other distributions upon the Stock may be paid in cash, property or Stock of the Corporation, subject to the provisions of law and of the Charter.

6.02. CONTINGENCIES. Before payment of any dividends or other distributions upon the Stock, there may be set aside (but there is no duty to set aside) out of any funds of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund to meet contingencies, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VII

INDEMNIFICATION

7.01 INDEMNIFICATION OF OFFICERS. Unless the Directors otherwise determine prospectively in the case of any one or more specified officers, all persons elected or appointed by the Directors as an officer of the Corporation shall be entitled to indemnification by the Corporation on account of matters resulting in their capacity as an officer to the same extent provided with respect to Directors by the Charter.

7.02. ADVANCE OF EXPENSES. To the maximum extent permitted by applicable law in effect from time to time, the Corporation, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any present or former Director or Officer who is entitled to indemnification under Article TWELFTH of the Charter or Section 7.01 of these Bylaws, or under Maryland law.

17

7.03. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person entitled to indemnification, or whom the Corporation may indemnify, under ARTICLE TWELFTH of the Charter or Section 7.01 of these Bylaws, or under Maryland law, against any liability, whether or not the Corporation would have the power to indemnify him or her against such liability. The rights to indemnification set forth in the Charter or in the Bylaws are in addition to all rights which any indemnified person may be entitled as a matter of law, and shall inure to the benefit of the heirs and personal representatives of each indemnified person.

ARTICLE VIII

NOTICES

8.01. NOTICES. Whenever notice is required to be given pursuant to these Bylaws, it shall be construed to mean either written notice personally served against written receipt, or notice in writing transmitted by mail, by depositing the same in a post office or letter box, in a post-paid sealed wrapper, addressed, if to the Corporation, at the principal office of the Corporation, 31365 Oak Crest Drive, Suite 200, Westlake Village, California 91361 (or any subsequent address selected by the Board of Directors notice of which is given to the Stockholders), attention President, or if to a Stockholder, Director or Officer, at the address of such person as it appears on the books of the Corporation or in default of any other address at the general post office situated in the city or county of his or her residence. Unless otherwise specified, notice sent by mail shall be deemed to be given at the time the same shall be thus mailed. Notices to Directors or Officers may also be given by electronic mail, telegraph or telecopy.

8.02. SECRETARY TO GIVE NOTICE. All notices required by law or these Bylaws to be given by the Corporation shall be given by the Secretary of the Corporation. If the Secretary and Assistant Secretary are absent or refuse or neglect to act, the notice may be given by any person directed to do so by the President or, with respect to any meeting called pursuant to these Bylaws upon the request of any Stockholders or Directors, by any person directed to do so by the Stockholders or Directors upon whose request the meeting is called.

8.03. WAIVER OF NOTICE. Whenever any notice is required to be given pursuant to the Charter or Bylaws of the Corporation or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such

notice. Such waiver shall be filed with the records of the meeting. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE IX

MISCELLANEOUS

9.01. BOOKS AND RECORDS. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Stockholders and Board of Directors and of executive or other committee when exercising any of the powers or authority of the Board of Directors. The books and records of the Corporation may be in written form or in any other form that be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form, but may be maintained in the form of a reproduction.

9.02. INSPECTION OF BYLAWS AND CORPORATE RECORDS. These Bylaws, the accounting books and records, including the stock register, of the Corporation, the minutes of proceedings of the Stockholders, the Board of Directors and committees thereof, annual statements of affairs and any Shareholders' or voting trust agreements on record shall be open to inspection upon the written demand on the Corporation by any Stockholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to such holder's interests as a Stockholder or as the holder of such voting trust certificate, in each case to the extent permitted by the Maryland General Corporation Law.

9.03. CONTRACTS. In addition to the provisions of these Bylaws relating to the authority of any specified Officer, the Board of Directors may authorize any Officer or Officers, agent or agents, to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

9.04. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such Officers or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

9.05. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

9.06. LOANS.

9.6.1. Such Officers or agents of the Corporation as from time to time have been designated by the Board of Directors shall have authority (i) to effect loans, advances, or other forms of credit at any time or times for the Corporation, from such banks, trust companies, institutions, corporations, firms, or persons, in such amounts and subject to such terms and conditions, as the Board of Directors from time to time has designated; and (ii) as security for the repayment of any loans, advances, or other forms of credit so authorized, to assign, transfer, endorse, and deliver, either originally or in addition or substitution, any or all personal property, real property, stocks, bonds, deposits, accounts, documents, bills, accounts receivable, and other commercial paper and evidences of debt or other securities, or any rights or interests at any time

held by the Corporation; and (iii) in connection with any loans, advances, or other forms of credit so authorized, to make, execute, and deliver one or more notes, mortgages, deeds of trust, financing statements, security agreements, acceptances, or written obligations of the Corporation, on such terms and with such provisions as to the security or sale or disposition of them as those Officers or agents deem proper; and (iv) to sell to, or discount or rediscount with, the banks, trust companies, institutions, corporations, firms or persons making those loans, advances, or other forms of credit, any and all commercial paper, bills, accounts receivable, acceptances, and other instruments and evidences of debt at any time held by the Corporation, and, to that end, to endorse, transfer, and deliver the same.

9.6.2. From time to time the Corporation shall certify to each bank, trust company, institution, corporation, firm, or person so designated, the signatures of the Officers or agents so authorized. Each bank, trust company, institution, corporation, firm, or person so designated is authorized to rely upon such certification until it has received written notice that the Board of Directors has revoked the authority of those Officers or agents.

9.07. FISCAL YEAR. The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution, and, in the absence of such resolution, the fiscal year shall be the period ending December 31.

9.08. REPORTS AND OTHER INFORMATION.

9.8.1. Not later than 120 days after the close of each fiscal year, the Board of Directors of the Corporation shall cause to be sent to the Stockholders an Annual Report in such form as may be deemed appropriate by the Board of Directors. The Annual Report shall include audited financial statements and shall be accompanied by the report thereon of an independent certified public accountant. The Board of Directors of the Corporation shall also cause to be sent to the Stockholders such other information as may be necessary to enable the Stockholders to prepare their respective state and federal income tax returns.

9.8.2. The Corporation may send interim reports to the Stockholders having such form and content as the Board of Directors deem proper or as the Officers of the Corporation in good faith deem is required by law or by good corporate practices.

9.8.3. Any distributions to Stockholders of income, capital gains or a return of capital assets shall be accompanied by a written statement disclosing the source of the funds distributed unless at the time of distribution they are accompanied by a written explanation of the relevant circumstances. The statement as to such source shall be sent to the Stockholders not later than sixty (60) days after the close of the fiscal year in which the distributions were made.

9.09. BYLAWS SEVERABLE. The provisions of these Bylaws are severable, and if any provision shall be held invalid or unenforceable, that invalidity or unenforceability shall attach only to that provision and shall not in any manner affect or render invalid or unenforceable any other provision of these Bylaws, and these Bylaws shall be carried out as if the invalid or unenforceable provision were not contained herein.

ARTICLE X

AMENDMENT OF BYLAWS

10.1. BY DIRECTORS. To the fullest extent permitted by the Maryland General Corporation Law the Board of Directors shall have the power, at any annual or regular meeting, or at any special meeting if notice thereof be included in the notice of such special meeting, to alter or repeal any Bylaws of the Corporation and to make new Bylaws.

10.2. BY STOCKHOLDERS. The Stockholders shall have the power, at any annual meeting, or at any special meeting if notice thereof be included in the notice of such special meeting, with the approval of Stockholders holding in excess of 66 2/3% of all outstanding Shares of Stock to alter or repeal any Bylaws of the Corporation and to make new Bylaws.

10.3. EXCEPTION FOR INDEMNIFICATION. No amendment or repeal of any Charter provision, Bylaw provision or provision of any resolution of the Board of Directors or other contractual obligation of the Corporation affording indemnification by the Corporation to any person shall be effective so as to deprive such person from the right to indemnification on account of all matters occurring or arising prior to such amendment or repeal without the consent of such indemnified person.

INDEMNIFICATION AGREEMENT

This AGREEMENT is made and entered into as of July 30, 2009, between **LTC Properties, Inc.**, a corporation organized and existing under the laws of the State of Maryland, (the "Corporation"), and «Indemnitee» ("Indemnitee").

WHEREAS, it is essential to the Corporation to retain and attract as officers and directors of the Corporation the most capable persons available; and

WHEREAS, the Corporation has requested that Indemnitee become or remain an officer and/or director of the Corporation; and

WHEREAS, both the Corporation and Indemnitee recognize the increased risk of litigation and other claims being asserted against officers and directors of companies in today's environment; and

WHEREAS, the Corporation's Amended and Restated Articles of Incorporation (the "Articles") provide that the Corporation will indemnify its officers and directors to the fullest extent permitted by law and will advance expenses in connection therewith, and Indemnitee's willingness to serve as an officer and/or director of the Corporation is based in part on Indemnitee's reliance on such provisions; and

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's service to the Corporation in an effective manner, and Indemnitee's reliance on the aforesaid provisions of the Articles, and in part to provide Indemnitee with specific contractual assurance that the protection promised by such provisions will be available to Indemnitee regardless of, among other things, any amendment to or revocation of such provisions or any change in the composition of the Corporation's Board of Directors or any acquisition or business combination transaction relating to the Corporation, the Corporation wishes to provide in this Agreement for the indemnification and advancement of expenses to Indemnitee as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto hereby agree as follows:

1. Indemnity.

(a) To the fullest extent permitted by law (and regardless of any future provision of the Articles or any By-Law to the contrary), the Corporation shall indemnify Indemnitee in the event Indemnitee is made, or threatened to be made, a party or a witness, or is otherwise a participant in or to, an action, investigation or proceeding, whether civil, administrative or criminal (including but not limited to an action, investigation or proceeding by or in the right of the Corporation or by or in the right of any other corporation or business entity of any type or kind, domestic or foreign, which any officer and/or director of the Corporation served in any capacity at the request of the Corporation), by reason of the fact that Indemnitee is or was an officer and/or director of the Corporation (or served any other corporation or business entity of any type or kind, domestic or foreign, in any capacity at the request of the Corporation). The foregoing indemnification shall be from and against all judgments, fines, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such action, suit, investigation or proceeding, or any appeal therein. The Corporation shall pay, in advance of final disposition of any such action, suit, investigation or proceeding, expenses (including attorneys' fees) incurred

by Indemnitee in defending or otherwise responding to such action or proceeding upon receipt of (1) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that Indemnitee has met the standard of conduct necessary for indemnification by the Corporation, and (2) a written undertaking by or on behalf of Indemnitee to repay the amounts advanced if it is determined in a final order issued by a court of competent jurisdiction from which no appeal may be taken that the Indemnitee did not meet the required standard of conduct. The aforesaid written affirmation and undertaking shall be consistent with provisions of applicable law, including but not limited to the Maryland Code Annotated, Corporations and Associations, Section 2-418(f) as amended. For purposes of this Agreement, references to "serving at the request of the Corporation" shall include any service as an officer and/or director of the Corporation which imposes duties on, or involves services by, such an officer and/or director with respect to an employee benefit plan or its participants or beneficiaries, including but not limited to service as a trustee or administrator of any such benefit plan.

(b) Notwithstanding anything to the contrary in Section 1(a), the Corporation shall indemnify Indemnitee in any action, suit or proceeding initiated by Indemnitee only if Indemnitee acted with the authorization of the Corporation in initiating that action, suit investigation or proceeding; *provided, however*, that any action or proceeding brought under Section 9 shall not be subject to this Section 1(b), and it is expressly agreed that the Corporation shall bear any and all fees and expenses incurred by Indemnitee in seeking to enforce this agreement.

(c) Indemnitee shall be presumed to be entitled to indemnification for matters covered in this Agreement. The burden of proof of establishing that Indemnitee is not entitled to indemnification shall be on the Corporation.

(d) Neither the Corporation nor Indemnitee shall unreasonably withhold their consent to any proposed settlement of an indemnified claim, provided, however, that no party shall be required to admit liability in connection with any proposed settlement and Indemnitee shall not be required to bear any cost or expense in connection with any proposed settlement of an indemnifiable claim.

2. Partial Indemnity; Successful Defense.

(a) If Indemnitee is entitled under any provisions of this Agreement to indemnification by the Corporation for some or a portion of the expenses, judgments, fines, taxes, penalties and amounts paid in settlement but not for the total amount thereof, the Corporation shall indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

(b) To the extent that Indemnitee has been successful on the merits or otherwise in defense or settlement of any action, suit, investigation or proceeding or in defense of any issue or matter therein, including, without limitation, dismissal without prejudice, Indemnitee shall be indemnified against any and all expenses (including but not limited to attorneys' fees), judgments, fines, taxes, penalties and amounts paid in settlement with respect to such action, suit or proceeding. Moreover, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to an indemnifiable event or in defense of any issue or matter therein, including, without limitation, dismissal without prejudice, Indemnitee shall be indemnified against all costs, charges and expenses, including, without limitation, attorneys' fees and other fees and expenses, incurred in connection therewith without further action or determination.

(c) For purposes of this Agreement, the termination of any action, suit, investigation or proceeding, by judgment, order, settlement (whether with or without court approval), shall not create a presumption that Indemnatee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or this Agreement.

3. Notice by Indemnatee.

Indemnatee shall notify the Corporation in writing of any matter with respect to which Indemnatee intends to seek indemnification hereunder as soon as reasonably practicable following the receipt by Indemnatee of written threat thereof; *provided, however*, that failure to so notify the Corporation shall not constitute a waiver by Indemnatee of his rights hereunder.

4. Advancement of Expenses.

In the event of any action, suit, investigation or proceeding against Indemnatee which may give rise to a right of indemnification from the Corporation pursuant to this Agreement, following written request to the Corporation by Indemnatee, the Corporation shall advance to Indemnatee (or, at the request of the Indemnatee, to such parties as are conducting the defense of any indemnified claim) amounts to cover expenses incurred by Indemnatee in defending or otherwise responding to or participating in any such action, suit, investigation or proceeding in advance of the final disposition thereof upon receipt of (a) an Undertaking by or on behalf of Indemnatee substantially in the form annexed hereto as Exhibit A to repay the amount advanced in the event it shall ultimately be determined by a court of competent jurisdiction from which no appeal can be taken that Indemnatee is not entitled to be indemnified by the Corporation (the "Undertaking"), and (b) reasonably satisfactory evidence as to the amount of such expenses. Indemnatee's Undertaking together with a copy of an expense statement billed to Indemnatee or paid or to be paid by Indemnatee shall constitute satisfactory evidence as to the amount of expenses to be advanced by the Corporation. Following receipt of an Undertaking, the Corporation shall, within 30 calendar days after receiving expense statements, make payment of the expenses stated therein. No security shall be required in connection with any Undertaking and any Undertaking shall be accepted without reference to the Indemnatee's ability to make repayment.

5. Non-Exclusivity of Right of Indemnification.

(a) The indemnification rights granted to Indemnatee under this Agreement shall not be deemed exclusive of, or in limitation of, any other rights that are more beneficial to Indemnatee to which Indemnatee may be entitled under Maryland law, the Corporation's articles of incorporation or by-laws, any other agreement, any vote of shareholders or directors or otherwise. To the extent any applicable law, the Corporation's articles of incorporation or by-laws, as in effect on the date hereof or at any time in the future, permit greater or less limited or less conditional indemnification or advance payment of expenses than is provided for in this Agreement, Indemnatee shall enjoy such greater or less limited or less conditional benefits so afforded, and this Agreement shall be deemed amended without any further action by the

3

Corporation or Indemnatee to grant such greater benefits. It is the intention of the parties that nothing in this Agreement shall limit or abridge the indemnification rights of Indemnatee as set forth in the Articles, in any by-laws, in any directors' and officers' liability insurance coverage, or otherwise. Accordingly, in the event there is a conflict between any provision in this Agreement and any provision of the Articles or any by-law provision now in effect or which may be in effect in the future, the controlling provision shall be that provision which would be more favorable to Indemnatee and would result in broader and more expansive indemnification rights in favor of Indemnatee.

(b) Indemnatee shall be entitled, in the sole discretion of Indemnatee, to elect to have Indemnatee's rights hereunder interpreted on the basis of applicable law in effect (i) at the time of execution of this Agreement, or (ii) at the time of the occurrence of the indemnifiable event giving rise to a claim, or (iii) at the time indemnification is sought.

6. Contribution.

If the indemnification provided for in this Agreement is unavailable to Indemnatee for any reason whatsoever, the Corporation, in lieu of indemnifying Indemnatee, shall contribute to the amount incurred by Indemnatee, whether for expenses, judgments, fines, taxes, penalties and amounts paid in settlement in connection with any action, suit, investigation or proceeding, in such proportion as is fair and reasonable in light of all of the circumstances of such action by board action, arbitration or by the court before which such action was brought in order to reflect (a) the relative benefits received by the Corporation and Indemnatee as a result of the event(s) and/or transaction(s) giving cause to such action; and/or (b) the relative fault of the Corporation (and its other directors, officers, employees and agents) and Indemnatee in connection with such event(s) and/or transaction(s). Indemnatee's right to contribution under this Section 6 shall be determined in accordance with, pursuant to and in the same manner as, the provisions in Sections 1 and 2 relating to Indemnatee's right to indemnification under this Agreement.

7. Liability Insurance.

(a) To the extent the Corporation maintains at any time an insurance policy or policies providing directors' and officers' liability insurance, Indemnatee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any other an officer and/or director of the Corporation under such insurance policy.

(b) The purchase and maintenance of such insurance shall not in any way limit or affect the rights and obligations of the parties hereto, and the execution and delivery of this Agreement shall not in any way be construed to limit or affect the rights and obligations of the Corporation and/or of the other parties under any such insurance policy.

(c) The provisions of this Section 7 shall neither (i) restrict the Corporation's right to purchase any type of Officers' and/or Directors' liability coverage (or any other insurance coverage that is reserved to or benefits solely or primarily independent or non-executive directors), nor (ii) afford any officer or non-executive director who is not insured under any such insurance policy a claim against the Corporation, the Indemnatee, or any other entity arising from the purchase or existence of such insurance coverage.

4

8. Termination of Agreement and Survival of Indemnification.

The Corporation will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Corporation, by agreement in form and substance reasonably satisfactory to the then-current Board of Directors of the Corporation, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Corporation and any successor to the Corporation, including, without limitation, any person acquiring directly or indirectly all or substantially all of the business or assets of the Corporation whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Corporation" for purposes of this Agreement), but this Agreement will not otherwise be assignable, transferable or delegable by the

Corporation. The rights granted to Indemnitee hereunder shall continue and survive any termination of this Agreement and any termination of Indemnitee's service as an officer and/or director of the Corporation and shall inure to the benefit of Indemnitee, Indemnitee's personal representatives, heirs, executors, administrators and beneficiaries.

9. Resolution of All Disputes Concerning Entitlement.

(a) It is intent of the Corporation that the Indemnitee not be required to incur the expenses associated with the enforcement of Indemnitee's rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. Accordingly, if it should appear to the Indemnitee that the Corporation has failed to comply with any of its obligations under this Agreement or in the event that the Corporation or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit, investigation or proceeding designed (or having the effect of being designed) to deny, or to recover from, the Indemnitee the benefits intended to be provided to the Indemnitee hereunder, the Corporation irrevocably authorizes the Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Corporation as hereinafter provided, to represent the Indemnitee in connection with the initiation or defense of any litigation or other legal action, whether by or against the Corporation or any director, officer, stockholder or other person affiliated with the Corporation, in any jurisdiction. Regardless of the outcome thereof, the Corporation shall pay and be solely responsible for any and all costs, charges and expenses, including, without limitation, attorneys' and other fees and expenses, reasonably incurred by the Indemnitee as a result of the Corporation's failure to perform this Agreement or any provision thereof.

(b) The exclusive forum for resolution of any controversy or claim arising out of or relating to this Agreement or Indemnitee's entitlement to indemnification under this Agreement shall be the Federal and State Courts situated in and for the State of California, and the parties hereby consent to the exclusive jurisdiction and venue of said courts and waive any claim that said courts do not constitute a convenient or appropriate venue, and agrees that service of process may be effected in any such action, suit or proceeding by notice given in accordance with Section 11.

5

10. Amendments, Etc.

Except as provided in Section 5, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and the Corporation. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

11. Notices.

All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered by hand or when mailed by certified registered mail, return receipt requested, with postage prepaid:

(a) If to Indemnitee, to:
«Indemnitee»
«Address1»
«Address2»

(b) If to the Corporation, to:

Wendy Simpson
CEO & President
LTC Properties, Inc.
31365 Oak Crest Drive, Suite #200
Westlake Village, CA 91361

-with copies to-

LTC Audit Committee Chairperson

-and-

Herbert F. Kozlov, Esq.
Reed Smith LLP
599 Lexington Avenue
NY, NY 10022

or to such person or address as Indemnitee or the Corporation shall furnish to the other party in writing pursuant to the above.

6

12. Severability.

If any provision of this Agreement is determined to be invalid, illegal or unenforceable, this invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement, and there shall be substituted for the provision at issue a valid and enforceable provision as similar as possible to the provision at issue.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above stated.

LTC Properties, Inc.:

By: _____
Name: «Signer»
Title: «Title»

INDEMNITEE:

Name: «Indemnitee»

EXHIBIT A—GENERAL FORM OF UNDERTAKING

1. This Statement is submitted pursuant to the Indemnity Agreement effective _____, 2009 between **LTC Properties, Inc.**, a corporation organized and existing under the laws of the State of Maryland, (the “Corporation”) and the undersigned.
2. I am requesting indemnification against expenses (including attorneys’ fees) and judgments, fines and amounts paid in settlement, all of which have been or will be actually and reasonably incurred by me or on my behalf in connection with a certain action, suit, investigation or other proceeding to which I am a party or am threatened to be made a party, or in which I am or may be participating, by reason of the fact that I am or was an officer and/or director of the Corporation.
3. With respect to all matters related to any such action, suit, investigation or other proceeding, I believe I acted in good faith and in a manner I reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, I had no reason to believe that my conduct was unlawful.
4. I hereby affirm that I believe in good faith belief that I have met the standard of conduct necessary for indemnification by the Corporation. I hereby undertake to repay this advancement of expenses if it shall ultimately be determined pursuant to a final order from which no appeal can be taken of a court of competent jurisdiction that I am not entitled to be indemnified by the Corporation under the aforesaid Indemnification Agreement or otherwise.
5. I am requesting indemnification in connection with the following matter: [PROVIDE DETAILS]

Name of Indemnitee

Dated: _____

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

I, Wendy L. Simpson, certify that:

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

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Chief Executive Officer and President
(Principal Executive Officer)
August 5, 2009

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

I, Pamela Shelley-Kessler, certify that:

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

/s/ PAMELA SHELLEY-KESSLER

Pamela Shelley-Kessler
Senior Vice President, Chief Financial Officer
and Corporate Secretary
(Principal Financial and Accounting Officer)
August 5, 2009

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

Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of LTC Properties, Inc. (the "Company") hereby certifies with respect to the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission (the "Report") that to her knowledge:

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

/s/ WENDY L. SIMPSON

Wendy L. Simpson
Chief Executive Officer and President
August 5, 2009

/s/ PAMELA SHELLEY-KESSLER

Pamela Shelley-Kessler
Senior Vice President, Chief Financial Officer
and Corporate Secretary
August 5, 2009

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