

LTC PROPERTIES INC  
Form 424B5  
February 19, 2004

**Table of Contents**PROSPECTUS SUPPLEMENT  
(TO PROSPECTUS DATED SEPTEMBER 12, 2003)Filed Pursuant to Rule 424 (b)(5) under the Securities Act of 1933  
Registration No 333-106555**4,000,000 Shares****LTC Properties, Inc.**  
**8% Series F Cumulative Preferred Stock**  
**(Liquidation Preference \$25.00 Per Share)**

We are offering 4,000,000 shares of our 8% Series F Cumulative Preferred Stock, or Series F Preferred Stock. We will pay quarterly cumulative dividends, in arrears, on the Series F Preferred Stock from the date of original issue. These dividends will be payable on January 15, April 15, July 15 and October 15 of each year, when and as declared, beginning April 15, 2004, at a yearly rate of 8% of the \$25.00 liquidation preference, or \$2.00 per Series F Preferred Stock per year. We may not redeem the Series F Preferred Stock prior to February 23, 2009, except as necessary to preserve our status as a real estate investment trust. On or after February 23, 2009, we may, at our option, redeem the Series F Preferred Stock, in whole or from time to time in part, for \$25.00 per Series F Preferred Stock in cash plus any accrued and unpaid dividends to the date of redemption. The shares of Series F Preferred Stock have no stated maturity, are not subject to any sinking fund and will remain outstanding indefinitely unless we redeem them.

We have agreed to engage Cohen & Steers Capital Advisors, LLC, as placement advisor for this offering. Cohen & Steers has no commitment to purchase securities and will act only as an advisor in obtaining indications of interest on the securities for certain investors. After paying the placement advisor fee and other estimated expenses payable by us, we anticipate receiving approximately \$98.5 million in net proceeds from this offering.

We have applied to list the Series F Preferred Stock on the New York Stock Exchange under the symbol LTC PrF. The New York Stock Exchange has various requirements for listing, including requirements relating to the distribution of the shares to be listed to no fewer than 100 beneficial owners. We expect that there will initially be not less than 100 holders of our Series F Preferred Stock. Trading of our Series F Preferred Stock on the New York Stock Exchange is expected to commence within 30 days of initial delivery of our Series F Preferred Stock or at such time thereafter as the requirements for the listing are met.

We expect to deliver 3 million shares of our Series F Preferred Stock on or about February 23, 2004 and we expect to deliver the remaining 1 million shares of our Series F Preferred Stock offered hereby on or about February 27, 2004, in accordance with the terms of purchase agreements entered into with purchasers dated the date hereof. The separate settlements are each subject to identical customary closing conditions and are not contingent on each other.

**Investing in our securities involves certain risks. See Risk Factors on page S-10 of this prospectus supplement and beginning on page 7 of the accompanying prospectus.**

	<u>Per share</u>	<u>Total</u>
Public offering price(1)	\$25.00	\$ 100,000,000
Proceeds, before expenses and certain other fees, to us (2)	\$24.75	\$ 99,000,000

(1) Plus accrued dividends, if any, from February 23, 2004, to the date of delivery.

(2) We have agreed to pay the Placement Advisor a placement fee of 1% of the gross proceeds from this offering and an additional fee of \$104,600 for arranging for the sale through a sub-placement advisor of our Series F Preferred Stock to certain retail accounts.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

Placement Advisor

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**Cohen & Steers Capital Advisors, LLC**

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THE DATE OF THIS PROSPECTUS SUPPLEMENT IS FEBRUARY 18, 2004

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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Forward-looking statements

This prospectus supplement contains or incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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, estimate, 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, compliance with and changes to regulations and payment policies within the healthcare industry, changes in financing terms, competition within the healthcare and senior housing industries, and changes in federal, state and local legislation. 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 this prospectus supplement and in other information contained in our publicly available filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2002 and other reports we file under the Securities Exchange Act of 1934. We do not undertake any responsibility to update 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.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*The following summary may not contain all of the information that is important to you. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully before deciding whether to invest in our Series F Preferred Stock. In this prospectus supplement, unless otherwise indicated, the company, we, us and our refer to LTC Properties, Inc. and our consolidated subsidiaries.*

**ABOUT OUR COMPANY**

We are a self-administered real estate investment trust that invests primarily in long-term care and other healthcare related properties through mortgage loans, property lease transactions and other investments. As of December 31, 2003, long-term care facilities, which include skilled nursing and assisted living facilities, comprised approximately 98% of our investment portfolio. We have been operating since August 1992.

Skilled nursing facilities provide restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Many skilled nursing facilities provide ancillary services that include occupational, speech, physical, respiratory and IV therapies, as well as provide sub-acute care services which are paid either by the patient, the patient's family, or through federal Medicare or state Medicaid programs.

Assisted living facilities serve elderly persons who require assistance with activities of daily living, but do not require the constant supervision skilled nursing facilities provide. Services are usually available 24-hours a day and include personal supervision and assistance with eating, bathing, grooming and administering medication. The facilities provide a combination of housing, supportive services, personalized assistance and health care designed to respond to individual needs.

Our senior management team is comprised of four individuals with a combined 51 years of experience in healthcare and real estate finance.

As of December 31, 2003, we had approximately \$516 million in carrying value of net real estate investments. At that date, our portfolio included 96 assisted living facilities, 83 skilled nursing facilities and one charter school in 30 states. We had approximately \$383 million (74%) invested in owned and leased properties, approximately \$71 million (14%) invested in mortgage loans, and investments in certificates of a real estate mortgage investment conduit (or REMIC) with a carrying value of approximately \$62 million (12%).

**Owned Properties**

At December 31, 2003, we owned 53 skilled nursing facilities with a total of 6,047 beds, 88 assisted living facilities with 4,182 units and one school located in 23 states. The properties are leased pursuant to non-cancelable leases generally with an initial term of 10 to 30 years. The leases provide for a fixed minimum base rent during the initial and renewal periods. Most of the leases provide for annual fixed rent increases or increases based on consumer price indices over the term of the lease. In addition, certain of our leases provide for additional rent through revenue participation (as defined in the lease agreement) in incremental revenues generated by the facilities over a defined base period effective at various times during the term of the lease. Each lease is a triple net lease which requires the lessee to pay additional charges including all taxes, insurance, assessments, maintenance and repair (capital and non-capital expenditures) and other costs necessary in the operation of the facility. Many of the leases contain renewal options and one contains a limited period option that permits the operator to purchase the property.

**Mortgage Loans**

At December 31, 2003, we had 37 mortgage loans secured by first mortgages on 30 skilled nursing facilities with a total of 3,681 beds and eight assisted living facilities with a total of 369 units located in 19 states. At December 31, 2003, these mortgage loans had interest rates ranging from 9.5% to 12.6% and maturities ranging from 2003 to 2018. In addition, the loans may contain guarantees, provide for facility fees and generally have 25-year amortization schedules. The majority of the mortgage loans provide for annual increases in the interest rate based upon a specified increase of 10 to 25 basis points.

In general, the mortgage loans may not be prepaid except in the event of the sale of the collateral property to a third party that is not affiliated with the borrower, although partial prepayments (including the prepayment premium) are often

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permitted where a mortgage loan is secured by more than one property upon the sale of one or more, but not all, of the collateral properties to a third party which is not an affiliate of the borrower. The terms of the mortgage loans generally impose a premium upon prepayment of the loans depending upon the period in which the prepayment occurs, whether such prepayment was permitted or required, and certain other conditions such as upon the sale of the property under a pre-existing purchase option, destruction or condemnation, or other circumstances as approved by us. On certain loans, such prepayment amount is based upon a percentage of the then outstanding balance of the loan, usually declining ratably each year. For other loans, the prepayment premium is based on a yield maintenance formula. In addition to a lien on the mortgaged property, the loans are generally secured by certain non-real estate assets of the properties and contain certain other security provisions in the form of letters of credit, pledged collateral accounts, security deposits, cross-default and cross-collateralization features and certain guarantees.

### **REMIC Certificates**

As of December 31, 2003, the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC certificates (all held by outside third parties) were \$154.7 million and 7.06%. As of December 31, 2003, the carrying value of the subordinated REMIC certificates held by us was \$61.7 million. The effective yield on the subordinated REMIC certificates held by us, based on expected future cash flows discounted to give effect to potential risks associated with prepayments and credit losses was 15.73% at December 31, 2003.

The REMIC certificates we retain are subordinate in rank and right of payment to the REMIC certificates sold to third-party investors and as such would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. The REMIC certificates are collateralized by three pools consisting of 69 first mortgage loans secured by 103 skilled nursing properties. The mortgage loans underlying the REMIC certificates generally have 25-year amortization schedules with final maturities due from 2003 to 2028, unless prepaid prior thereto. Distributions on any of the REMIC certificates will depend, in large part, on the amount and timing of payments, collections, delinquencies and defaults with respect to mortgage loans represented by the REMIC certificates, including the exercise of certain purchase options under existing property leases or the sale of the mortgaged properties. Each of the mortgage loans securing the REMIC certificates contains similar prepayment and security provisions as our mortgage loans.

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

### **OUR STRATEGY**

Our primary objectives are to enhance stockholder equity value and provide current income for distribution to stockholders through real estate investments in long-term care properties and other healthcare related properties run by experienced operators providing quality care. To meet these objectives, we attempt to invest in fee simple properties or in mortgages that provide opportunity for additional value and current returns to our stockholders and to diversify our investment portfolio by geographic location, operator and form of investment.

For investments in skilled nursing facilities, we favor low cost per bed opportunities, whether in fee simple properties or in mortgages. Thus, the average per bed cost of our owned skilled nursing facilities is approximately \$26,500 per bed while that of our mortgages is approximately \$13,700 per bed.

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.

As skilled nursing facilities reimbursement cuts have created cost and pricing pressures in that industry, we have tended to emphasize fee simple investments in the assisted living sector where we believe facilities tend to be both newer and less dependent, if at all, on any government reimbursement.



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**RECENT DEVELOPMENTS**

We announced on October 23, 2003 we had leased to a third party operator two skilled nursing facilities in Washington formerly operated by Sun Healthcare Group, Inc. (or Sun) for \$0.5 million in the initial year beginning October 1, 2003 with 2.0% increases annually for 10 years. Additionally, we leased three skilled nursing facilities in Arizona formerly operated by Sun to a third party operator for \$1.0 million in the initial year beginning September 1, 2003 with annual increases based on the consumer price index beginning in September 2008 and a lease term of 16 years.

On November 12, 2003 we announced a quarterly dividend of \$.25 per share on our common stock. The first three quarterly common dividends per share in fiscal 2003 were \$.10, \$.15 and \$.15, respectively.

On that date we also announced the signing of a 30 year triple-net master lease with Center Healthcare, Inc. covering 19 skilled nursing properties formerly leased to CLC Healthcare, Inc. (or CLC). The lease provides for rental payments of approximately \$4,337,000 in the first year with a 3% escalation each year for the first subsequent 10 years, 2% each year for the second 10 years and 1% each year thereafter. These 19 properties had been managed by a company affiliated with Center Healthcare, Inc. under a month-to-month triple net management agreement with CLC and we have received monthly rental income of approximately \$361,000 since September 2003. At a special meeting of stockholders of CLC on November 12, 2003, the shareholders of CLC approved the merger of CLC with a subsidiary of Center Healthcare, Inc. and as a result CLC ceased to be a publicly traded company and its leases with us were terminated.

We have signed a new unsecured Credit Agreement dated December 26, 2003. The Credit Agreement provides for \$45 million of total commitments and is a revolving line with no scheduled maturities other than the three year term of the Credit Agreement. The pricing varies between LIBOR plus 2.75% and LIBOR plus 3.25% depending on our leverage ratio. Had we drawn on the credit at the time of signing, the pricing would have been LIBOR plus 3.00%. Additionally, the Credit Agreement provides for the inclusion of additional banks and an expansion of the Credit Agreement under certain terms and conditions. Simultaneous with the signing of the Credit Agreement, we cancelled our previous Senior Secured Revolving Credit Agreement which would have expired on October 2, 2004, and all security interests in assets secured under the Senior Secured Revolving Credit were released.

On December 31, 2003, we announced as a result of an announcement by Assisted Living Concepts, Inc. (or ALC) of the redemption of ALC's Senior Secured and Junior Secured Notes, we will receive approximately \$12.3 million, plus accrued interest, on or about January 30, 2004, for the ALC Senior Secured and Junior Secured Notes owned by us. We had purchased and recorded some of these notes at a discount and as a result of ALC's call at the notes' face values, the redemption call will result in a gain of approximately \$2.2 million in our 2003 fourth quarter results.

We also announced that we have sold to an operator who had an option to purchase one skilled nursing facility which resulted in cash proceeds (net of a \$2.0 million deposit previously received) of approximately \$4.2 million and a gain on sale of approximately \$1.1 million.

Also on December 31, 2003, we called for the redemption of 1,225,680 shares of our 9.5% Series A Cumulative Preferred Stock representing 40% of the total number of outstanding shares of Series A Preferred Stock. The redemption date of the Series A Preferred Stock is January 30, 2004, and the redemption price is \$25.00 per share of Series A Preferred Stock, plus accrued and unpaid dividends, up to and including the Redemption Date or a total of \$25.1914 per share. We will use the proceeds from the redemption of the ALC securities and the proceeds from the asset sale mentioned above, together with cash on hand to fund this redemption. After the redemption date, dividends on such Series A Preferred Stock will cease to accrue on such shares and such shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders in respect of such Series A Preferred Stock being redeemed will terminate, except for the right to receive the redemption price, without interest thereon.

On February 12, 2004, we filed a Form 8-K with the SEC and announced the results of our operations for the three and twelve months ended December 31, 2003, including net income available to common stockholders of \$1.6 million or \$0.09 per diluted share. Included in these results was a \$2.1 million write-off of debt issue costs related to the Company's early retirement of our Secured Revolving Credit, an additional charge of \$1.2 million related to the redemption of 40% of our 9.5% Series A Preferred Stock, a gain of \$2.0 million resulting from redemption by Assisted Living Concepts, Inc. of its secured debentures owned by us and a gain on sale of assets of \$2.0 million. We reported \$3.3 million of depreciation expense of which \$0.1 million is included in income from discontinued operations, for the three months ended December 31, 2003. For the same period in 2002, net income available to common stockholders was \$0.9 million or \$0.05 per diluted

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share including a gain on sale of assets of \$0.5 million and depreciation expense of \$3.5 million of which \$0.2 million is included in income from discontinued operations. We recorded no impairment charge in the fourth quarter of 2003. Revenues for the three months ended December 31, 2003 were \$15.9 million versus \$17.1 million for the same period last year.

For the twelve months ended December 31, 2003, net income available to common stockholders was \$6.5 million or \$0.36 per diluted share compared to \$16.8 million or \$0.91 per diluted share for the twelve months ended December 31, 2002. Results for the year ended December 31, 2003 include a gain on sale of assets of \$2.3 million compared to \$14.5 million in 2002. Revenues for the twelve months ended December 31, 2003 were \$63.4 million versus \$68.1 million last year.

**Recent Medicare and Medicaid Developments**

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (P.L. 108-173). In addition to expanded Medicare prescription drug coverage, the new act modifies Medicare payments to a variety of health care providers. With respect to skilled nursing facilities, the new act provides a temporary 128 percent increase in the per diem resource utilization group payment for a skilled nursing facility resident with acquired immune deficiency syndrome, applicable to services furnished on or after October 1, 2004. In addition, President Bush's fiscal year 2005 proposed budget indicates that for Medicare skilled nursing facilities, the refinements in patient categories for medically-complex patients will not be adopted, thereby continuing the temporary increase in the payment for certain high-cost nursing home patients through fiscal year 2005. There can be no assurances, however, that future legislation or regulations will not reduce Medicare reimbursement for nursing facilities.

In addition, budget shortfalls at the state level continue to pressure Medicaid programs. According to a September 2003 report by the Kaiser Commission on Medicaid and the Uninsured, nursing home rates were cut or frozen in 17 states in fiscal year 2003 and in 19 states in fiscal year 2004. On the other hand, nursing homes were the provider group most likely to be given a rate increase in both years, with increases in 33 states in fiscal year 2003 and in 29 states in fiscal year 2004; these increases often are mandated by state statutory funding formulas.

Our principal executive offices are located at 22917 Pacific Coast Hwy, Suite 350, Malibu, California 90265, and our telephone number is (310) 455-6010.

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**THE OFFERING**

Securities offered	4,000,000 shares of Series F Preferred Stock
Price per share	\$25.00
Maturity	The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.
Rank	<p>The Series F Preferred Stock will, with respect to dividend rights and rights upon our liquidation, dissolution or winding up, rank:</p> <p style="padding-left: 40px;">senior to all classes or series of our Common Stock, our Series D Junior Participating Preferred Stock and to all equity securities ranking junior to the Series F Preferred Stock;</p> <p style="padding-left: 40px;">on parity with our 9.5% Series A Preferred Stock, our 9.0% Series B Preferred Stock, our 8.5% Series C Preferred Stock, and our 8.5% Series E Preferred Stock and all other equity securities to be issued by us, the terms of which specifically provide that such equity securities rank on parity with the Series F Preferred Stock; and</p> <p style="padding-left: 40px;">junior to all our existing and future indebtedness.</p> <p>The term "equity securities" does not include convertible debt securities, which will rank senior to the Series F Preferred Stock prior to the conversion of such convertible debt securities. There are currently no convertible debt securities outstanding.</p>
Dividends	Dividends on the Series F Preferred Stock will be cumulative from the date of original issue and are payable quarterly in arrears for the period covering the preceding quarter on or before the 15th day of January, April, July and October of each year, commencing April 15, 2004, at the annual rate of 8% of the \$25.00 liquidation preference per share, equivalent to a fixed annual amount of \$2.00 per share. Dividends on the Series F Preferred Stock will accrue regardless of whether or not we have earnings, whether there are funds legally available for the payment of such dividends and whether or not such dividends are declared.
Liquidation preference	The Series F Preferred Stock will have a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid dividends thereon.
Optional redemption	The Series F Preferred Stock is not redeemable prior to February 23, 2009, except in limited circumstances to preserve our status as a REIT. On or after February 23, 2009, the Series F Preferred Stock will be redeemable for cash at our option in whole or from time to time in part, at \$25.00 per share, plus accrued and unpaid dividends to the redemption date. See "Description of Series F Preferred Stock - Redemption."
Voting rights	<p>Holder of the Series F Preferred Stock will generally have no voting rights. However, if dividends on the Series F Preferred Stock or the Series E Preferred Stock are in arrears for six or more quarterly periods, or dividends on the Series A Preferred Stock or Series B Preferred Stock are in arrears for eighteen or more months, holders of the Series F Preferred Stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors to serve on our Board of Directors until all dividend arrearages have been paid or a sum sufficient for payment thereof is set aside for payment. In addition, some changes that would be materially adverse to the rights of holders of the Series F Preferred Stock outstanding at the time</p>

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cannot be made without the affirmative vote of the holders of two-thirds of the shares of Series F Preferred Stock, voting as a single class.

Conversion

The Series F Preferred Stock is not convertible into or exchangeable for any other property or securities.

Restrictions on ownership and transfer

The Series F Preferred Stock will be subject to certain restrictions on ownership and transfer intended to preserve our status as a real estate investment trust or REIT for United States federal income tax purposes.

Listing

We have applied for approval to list the Series F Preferred Stock on the NYSE under the symbol LTC PrF. In addition, the purchase agreement relating to our sale of the Series F Preferred Stock provides that we will use our reasonable best efforts to obtain approval of our application within 30 days after the original issuance of the Series F Preferred Stock, or if not, as soon as practicable thereafter. The New York Stock Exchange has various requirements for listing, including requirements relating to the distribution of the shares to be listed to no fewer than 100 beneficial owners. No assurance can be given that the application will be approved or, even if it is approved, that a market for the Series F Preferred Stock will develop or, if developed, will be maintained.

Use of proceeds

The net proceeds from the sale of the Series F Preferred Stock offered hereby will be used to redeem all of our outstanding Series A Preferred Stock, all of our outstanding Series B Preferred Stock and the balance will be used for other corporate purposes.

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**RISK FACTORS**

You should carefully consider the risks described below and in the accompanying prospectus before making an investment decision in our company. The risks and uncertainties described below are not the only ones facing our company and there may be additional risks that we do not presently know of or that we currently consider immaterial. Other important factors are identified in our annual report on Form 10-K for the year ended December 31, 2002 and other reports we filed under the Securities Exchange Act of 1934, which are incorporated by reference into this prospectus supplement, including factors identified under the headings *Business* and *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and in the other documents incorporated by reference into this prospectus supplement. All of these risks could adversely affect our business, financial condition, results of operations and cash flows. As a result, our ability to pay dividends on, and the market price of, our equity securities may be adversely affected if any of such risks are realized.

**We could incur more debt.**

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

Our use of debt financing presents the risk to holders of the Series F Preferred Stock that payments of principal and interest on borrowings will leave us with insufficient cash resources to pay dividends required by the terms of the Series F Preferred Stock or to pay declared dividends on our Common Stock or distributions in respect to capital stock required to be paid in order for us to maintain our qualification as a REIT.

**There is no established trading market for our Series F Preferred Stock, which may negatively affect its market value and your ability to transfer or sell your Series F Preferred Stock.**

We have applied to list the Series F Preferred Stock on the NYSE. There is no assurance that the NYSE will approve our listing application. An active trading market on the NYSE for the shares may not develop or, even if it develops, may not last, in which case the trading price of the Series F Preferred Stock could be adversely affected.

**The market value of our Series F Preferred Stock could be substantially affected by various factors.**

As with other publicly traded securities, the trading price of our Series F Preferred Stock will depend on many factors, which may change from time to time, including:

- the market for similar securities;
- additional issuance of other classes or series of our preferred shares;
- general economic and financial market conditions; and
- our financial condition, performance and prospects.

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The following table sets forth our capitalization (i) as of September 30, 2003, (ii) as adjusted to give effect to the redemption of 1,225,680 shares of our Series A Preferred Stock on January 30, 2004, and (iii) to give proforma effect of the sale 4,000,000 shares of our Series F Preferred Stock offered hereby at an offering price of \$25.00 per share and to the anticipated redemption of the balance of the outstanding shares of our Series A Preferred Stock and our Series B Preferred Stock with the net proceeds of the offering.

	As of September 30, 2003		
	(in thousands) (unaudited)		
	Actual	As adjusted	Proforma As adjusted
<b>Debt:</b>			
Bank borrowings	\$	\$	\$
Mortgage loans payable	127,617	127,617	127,617
Bonds payable and capital lease obligations	14,776	14,776	14,776
Senior participation payable	29,017	29,017	29,017
<b>Total debt</b>	<b>171,410</b>	<b>171,410</b>	<b>171,410</b>
<b>Stockholders' equity</b>			
Preferred Stock, \$0.01 par value; 15,000,000 shares authorized			
Series A Cumulative Preferred Stock, 3,064,200 shares issued and outstanding, 1,838,520 shares issued and outstanding as adjusted(1) and 0 shares issued and outstanding proforma as adjusted	76,703	46,022	
Series B Cumulative Preferred Stock, 1,988,000 shares issued and outstanding, 0 shares issued and outstanding proforma as adjusted	49,783	49,783	
Series C Cumulative Convertible Preferred Stock, 2,000,000 shares issued and outstanding	38,500	38,500	38,500
Series D Junior Participating Preferred Stock, 0 shares issued and outstanding			
Series E Cumulative Convertible Preferred Stock, 2,200,000 shares issued and outstanding	52,498	52,498	52,498
Series F Preferred Stock, 4,000,000 shares issued and outstanding proforma as adjusted			98,500
Common Stock, \$0.01 par value; 35,000,000 authorized; 17,806,351 shares issued and outstanding(2)	178	178	178
Capital in excess of par value	251,093	252,373	256,544
Cumulative net income	266,946	266,908	266,832
Other equity	(3,967)	(3,967)	(3,967)
Cumulative distributions	(334,060)	(335,575)	(340,377)
<b>Total stockholders' equity</b>	<b>397,674</b>	<b>366,720</b>	<b>368,708</b>
<b>Total capitalization</b>	<b>\$ 569,084</b>	<b>\$ 538,130</b>	<b>\$ 540,118</b>

(1) On January 30, 2004 we redeemed 1,225,680 shares of our Series A Preferred Stock at a redemption price of \$25.1914 per share, including accrued and unpaid dividends.

(2) Excludes: (i) 345,447 shares reserved under our 1992 Stock Option Plan and our 1998 Equity Participation Plan; (ii) 2,000,000 shares reserved for issuance upon the conversion of our Series C Preferred Stock; and (iii) 4,400,000 shares reserved for issuance upon the

conversion of our Series E Preferred Stock.

**USE OF PROCEEDS**

The net proceeds from the sale of the 4,000,000 shares of Series F Preferred Stock offered hereby are estimated to be \$98.5 million at a public offering price of \$25.00 per share. Of the net proceeds, approximately \$96.5 million will be used to redeem the outstanding shares of our Series A Preferred Stock and our Series B Preferred Stock, including accrued and unpaid dividends through the redemption date, and the balance will be used for other corporate purposes. Of the outstanding shares of our Series A Preferred Stock and our Series B Preferred Stock, affiliates of the company beneficially own a total of 66,527 and 11,543 shares respectively of our Series A Preferred Stock and our Series B Preferred Stock being redeemed. The redemption will be conducted in accordance with the terms of the Series A Preferred and Series B Preferred Stock provisions.

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**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data for the five years ended December 31, 2002 are derived from our audited consolidated financial statements. The selected consolidated financial data for the nine month periods ended September 30, 2003 and September 30, 2002 are derived from our unaudited financial statements. The unaudited financial statements include all adjustments, which we consider necessary for a fair presentation of our financial position and results of operation for these periods. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2003. The data should be read in conjunction with our consolidated financial statements, related notes and other financial information incorporated by reference herein.

Consolidated statement of operations data	Year ended December 31,					Nine months ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in thousands, except per share amounts)						
Revenues	\$86,132	\$84,818	\$84,364	\$68,724	\$69,203	\$51,690	\$48,121
Expenses:							
Interest expense	22,267	21,795	27,183	21,745	21,633	16,153	14,931
Depreciation and amortization	11,723	12,717	14,390	12,987	14,199	10,620	9,605
Provision for loan losses	600						
Impairment charge		14,939	7,620	19,647	7,097	5,097	1,260
Operating and other expenses	5,084	5,863	5,887	9,099	6,827	4,865	5,421
Total expenses	39,674	55,314	55,080	63,478	49,756	36,735	31,217
Income before minority interest and other	46,458	29,504	29,284	5,246	19,447	14,955	16,904
Minority interest	(1,415)	(1,018)	(982)	(973)	(1,308)	(978)	(968)
Other income (loss)	(6,797)	1,304					
Income from continuing operations	38,246	29,790	28,302	4,273	18,139	13,977	15,936
Discontinued operations:							
(Loss) gain from discontinued operations	2,421	2,037	(5,655)	(8,741)	(819)	(819)	45
Gain on sale of assets, net	9,926		8,990	1,560	14,483	13,939	336
Net income (loss) from discontinued operations	12,347	2,037	3,335	(7,181)	13,664	13,120	381
Net income (loss)	50,593	31,827	31,637	(2,908)			