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

FORM 10-K

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

For the fiscal year ended December 31, 2000

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from ____________ to ____________

Commission file number 1-9028

NATIONWIDE HEALTH PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**95-3997619**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
610 Newport Center Drive, Suite 1150 Newport Beach, California	**92660**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (949) 718-4400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 Par Value	New York Stock Exchange
7.677% Series A Cumulative Preferred	None

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of the voting stock held by non-affiliates of the Company is approximately $677,122,000 as of February 28, 2001.

46,236,484
(Number of shares of common stock outstanding as of February 28, 2001)

Part III is incorporated by reference from the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2001.

PART I

Item 1. Business.

Nationwide Health Properties, Inc., a Maryland corporation organized in October 1985, is a real estate investment trust (‘‘REIT’’) which invests primarily in health care related facilities and provides financing to health care providers. Whenever we refer herein to ‘‘the Company’’ or to ‘‘us’’ or use the terms ‘‘we’’ or ‘‘our,’’ we are referring to Nationwide Health Properties, Inc. As of December 31, 2000, we had investments in 328 facilities located in 37 states and operated by 57 healthcare providers. The facilities include 182 skilled nursing facilities, 127 assisted living facilities, 14 continuing care retirement communities, 2 residential care facilities for the elderly, 2 rehabilitation hospitals and 1 medical clinic.

As of December 31, 2000, we had direct ownership of 146 skilled nursing facilities, 120 assisted living facilities, 10 continuing care retirement communities, 2 residential care facilities for the elderly, 2 rehabilitation hospitals and 1 medical clinic. Substantially all of our owned facilities are leased under ‘‘net’’ leases, which are accounted for as operating leases, to 44 healthcare providers. Of our lessees, only Alterra Healthcare Corporation (‘‘Alterra’’) is expected to account for more than 10% of the Company’s revenues in 2001.

The leases generally have initial terms ranging from 5 to 19 years, and generally have two or more multiple-year renewal options. We earn fixed monthly minimum rents and may earn periodic additional rents. The additional rent payments are generally computed as a percentage of facility net patient revenues in excess of base amounts or as a percentage of the increase in the Consumer Price Index. Additional rents are generally calculated and payable monthly or quarterly. While the calculations and payments are generally made on a quarterly basis, SEC Staff Accounting Bulletin No. 101 *Revenue Recognition in Financial Statements* (‘‘SAB No. 101’’), which we adopted during the fourth quarter of 2000 does not allow for the recognition of such revenue until all possible contingencies have been eliminated. Most of our leases contain provisions such that the total rent cannot decrease from one year to the next. In addition, most of our leases contain cross collateralization and cross default provisions tied to other leases with the same lessee, as well as grouped lease renewals and grouped purchase options. Obligations under our leases have corporate guarantees, and leases covering 197 facilities are backed by irrevocable letters of credit or security deposits that cover 1 to 12 months of monthly minimum rents. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

During 2000, we completed the construction of 5 assisted living facilities in which our total aggregate investment was approximately $44,384,000. Additionally, we funded approximately $2,350,000 in capital improvements at certain facilities in accordance with certain existing lease provisions. These capital improvements result in an increase in the minimum rents earned by the Company on these facilities.

As of December 31, 2000, we held 35 mortgage loans secured by 36 skilled nursing facilities, 7 assisted living facilities, 4 continuing care retirement communities and 4 parcels of land. These loans had an aggregate outstanding principal balance of approximately $191,020,000 and a net book value of approximately $185,623,000 at December 31, 2000, net of an aggregate discount of approximately $5,397,000. The mortgage loans have individual outstanding balances ranging from approximately $304,000 to $15,821,000 and have maturities ranging from 2001 to 2025.

Our facilities are operated by 57 healthcare providers. The following table summarizes our major operators, the number of facilities each operates and the percentage of our annualized revenues received from each operator:

Operator	Number of Facilities Operated	Percentage of Annualized Revenue
Alterra Healthcare Corporation	54	12%
Beverly Enterprises, Inc.	34	9%
American Retirement Corporation	12	8%
ARV Assisted Living, Inc.	16	8%
Mariner Post-Acute Network, Inc.	21	6%
Liberty Healthcare	17	5%
Laureate Group	4	4%
Epoch Senior Living	8	4%
Balanced Care Corporation	10	4%
Sun Healthcare Group, Inc	19	4%
Integrated Health Services, Inc.	11	4%
Life Care Centers of America	7	3%
National Assisted Living, LP	8	3%
American Health Centers, Inc.	12	3%

We have historically provided lease or mortgage financing for healthcare facilities to qualified operators and acquired additional healthcare related facilities, including skilled nursing facilities, assisted living facilities, acute care hospitals and medical office buildings. Financing for such investments was provided by borrowings under our bank line of credit, private placements or public offerings of debt or equity, and the assumption of secured indebtedness.

Taxation of the Company

We believe we have operated in such a manner as to qualify for taxation as a ''real estate investment trust'' under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with our taxable year ending December 31, 1985, and we intend to continue to operate in such a manner. If the Company qualifies for taxation as a real estate investment trust, we will generally not be subject to federal corporate income taxes on our net income that is currently distributed to stockholders. This treatment substantially eliminates the ''double taxation'' (*e.g.* at the corporate and stockholder levels) that generally results from investment in the stock of a corporation.

Properties

Of the 328 facilities in which we have investments, we have direct ownership of 146 skilled nursing facilities, 120 assisted living facilities, 10 continuing care retirement communities, 2 residential care facilities for the elderly, 2 rehabilitation hospitals and 1 medical clinic. Substantially all of the properties are leased to other parties under terms which require the lessee, in addition to paying rent, to pay all additional charges, taxes, assessments, levies and fees incurred in the operation of the leased properties.

Skilled Nursing Facilities

Skilled nursing facilities provide rehabilitative, restorative, skilled nursing and medical treatment for patients and residents who do not require the high-technology, care-intensive, high-cost setting of an acute-care or rehabilitative hospital. Treatment programs include physical, occupational, speech, respiratory and other therapeutic programs, including sub-acute clinical protocols such as wound care and intravenous drug treatment.

Assisted Living Facilities

Assisted living facilities provide services to aid in everyday living, such as bathing, routine or special meals, security, transportation, recreation, medication supervision and limited therapeutic programs. More intensive medical needs of the residents are often met within the Company's assisted living facilities by home health providers, close coordination with the individual's physician and skilled nursing facilities. Assisted living facilities are increasingly successful as lower cost, less institutional alternatives to the health problems of the elderly or medically frail.

Continuing Care Retirement Communities

Continuing care retirement communities provide a broad continuum of care. At the most basic level, services are provided which aid in everyday living, much like in an assisted living facility. At the other end of the spectrum, skilled nursing, rehabilitation and medical treatment is provided to residents who need those services. This type of facility offers residents the ability to have the most independent lifestyle possible while providing a wide range of social, health and nursing services tailored to meet individual needs.

Residential Care Facilities for the Elderly

Residential care facilities for the elderly offer similar services to an assisted living facility, except they are provided in a residential home setting. These facilities are generally three to four bedroom houses in residential neighborhoods, which are slightly modified to enable adequate access and care for the residents. There is generally one 24-hour caregiver at each location to provide meals and assistance with activities such as bathing, dressing, laundry and cleaning.

Rehabilitation Hospitals

Rehabilitation hospitals provide inpatient and outpatient medical care to patients requiring high intensity physical, respiratory, neurological, orthopedic and other treatment protocols and for intermediate periods in their recovery. These programs are often the most effective in treating severe skeletal or neurological injuries and traumatic diseases such as stroke or acute arthritis.

The following table sets forth certain information regarding our owned facilities as of December 31, 2000.

Facility Location	Number of Facilities	Number of Beds/ Units(1)	Gross Investment	Annual Minimum Rent(2)	2000 Additional Rent(2)
		(Dollars in Thousands)			
Skilled Nursing Facilities:					
Arizona	1	130	$ 3,540	$ 481	$144
Arkansas	9	918	35,932	3,218	104
California	8	963	26,481	3,082	835
Connecticut	2	239	6,192	922	96
Florida	8	1,098	29,296	3,063	188
Georgia	2	263	11,685	1,257	—
Idaho	1	64	792	81	—
Illinois	2	210	5,549	701	215
Indiana	7	886	27,334	3,335	707
Kansas	9	685	13,919	1,408	127
Maryland	4	749	22,233	2,933	371
Massachusetts	17	1,754	75,092	7,600	680
Minnesota	7	890	28,152	2,042	31
Mississippi	1	120	4,345	388	19
Missouri	1	108	2,740	517	—

Facility Location	Number of Facilities	Number of Beds/ Units(1)	Gross Investment	Annual Minimum Rent(2)	2000 Additional Rent(2)
		(Dollars in Thousands)			
Skilled Nursing Facilities (continued):					
Nevada	1	140	$ 4,034	$ 480	$ 77
New Jersey	1	180	6,808	391	45
North Carolina	1	150	2,360	333	—
Ohio	6	811	29,551	3,304	242
Oklahoma	3	253	3,939	404	130
Oregon	1	85	1,215	175	—
Tennessee	10	1,111	35,506	3,627	575
Texas	25	2,791	60,559	6,586	1,636
Virginia	4	604	18,568	2,910	—
Washington	7	697	29,377	2,656	228
Wisconsin	8	773	19,692	2,893	104
Subtotals	146	16,672	504,891	54,787	6,554
Assisted Living Facilities:					
Alabama	2	166	5,953	515	35
Arizona	2	142	7,868	743	58
Arkansas	1	32	2,150	144	5
California	13	1,590	79,578	8,191	1,579
Colorado	6	607	45,615	4,294	108
Delaware	1	54	5,301	572	8
Florida	20	1,400	92,900	8,902	429
Idaho	1	158	11,800	1,176	86
Illinois	1	178	11,076	1,037	81
Indiana	1	50	4,666	458	17
Kansas	4	231	13,470	1,196	20
Kentucky	1	44	2,657	273	14
Louisiana	1	104	7,384	883	—
Maryland	1	56	5,162	517	—
Massachusetts	1	118	11,007	992	33
Michigan	1	143	7,306	816	128
Nevada	2	155	13,616	1,254	13
New Jersey	1	52	4,085	353	15
North Carolina	1	42	2,916	257	12
Ohio	11	635	38,594	3,769	164
Oklahoma	3	188	8,100	771	42
Oregon	6	536	28,831	2,851	132
Pennsylvania	2	163	14,628	1,486	—
Rhode Island	3	274	29,920	3,182	—
South Carolina	4	162	11,041	943	49
Tennessee	5	278	24,534	2,462	29
Texas	16	915	75,245	6,671	245
Virginia	2	153	12,969	1,684	—
Washington	4	341	22,935	2,267	101
West Virginia	1	60	6,010	602	—
Wisconsin	2	422	29,061	2,181	110
Subtotals	120	9,449	636,378	61,442	3,513

Facility Location	Number of Facilities	Number of Beds/ Units(1)	Gross Investment	Annual Minimum Rent(2)	2000 Additional Rent(2)
		(Dollars in Thousands)			
Continuing Care Retirement Communities:					
California	1	279	$ 12,427	$ 1,222	$ 270
Colorado	1	119	3,115	307	59
Georgia	1	190	11,492	909	27
Kansas	1	200	13,204	1,267	75
Massachusetts	1	178	14,292	561	18
Tennessee	1	80	3,178	330	5
Texas	2	550	37,336	3,289	48
Wisconsin	2	942	64,351	6,015	239
Subtotals	10	2,538	159,395	13,900	741
Residential Care Facilities for the Elderly:					
California	2	12	325	—	—
Rehabilitation Hospitals:					
Arizona	2	116	16,826	1,770	230
Medical Clinics:					
Alabama	1	—	2,433	—	—
Construction in Progress	—	—	9,478	—	—
Land Parcels:					
Kentucky	—	—	578	—	—
New Hampshire	—	—	736	—	—
Ohio	—	—	1,759	—	—
Texas	—	—	810	—	—
Subtotals	—	—	3,883	—	—
Total All Owned Facilities	281	28,787	$1,333,609	$131,899	$11,038

(1) Assisted living facilities are measured in units, continuing care retirement communities are measured in beds and units and all other facilities are measured by bed count.

(2) Annual Minimum Rent (as defined in the leases) for each of our owned properties. Additional rent, generally contingent upon increases in the facility net patient revenues in excess of a base amount or increases in the Consumer Price Index, may also be paid. The 2000 additional rent amounts reflect additional rent earned in 2000.

As of December 31, 2000, 29 of our 281 owned facilities were being leased to and operated by subsidiaries of Beverly Enterprises, Inc. (''Beverly''). We expect that as new facilities are acquired, an increasing percentage of our facilities will be leased to operators unaffiliated with Beverly. For additional financial information regarding Beverly, see Appendix 1 attached as part of this Annual Report on Form 10-K.

As of December 31, 2000, 53 of the owned facilities are leased to and operated by subsidiaries of Alterra.

Competition

We generally compete with other REITs, real estate partnerships, health care providers and other investors, including, but not limited to, banks and insurance companies, in the acquisition, leasing and financing of health care facilities. The operators of the health care facilities compete on a local and regional basis with operators of facilities that provide comparable services. Operators compete for patients based on quality of care, reputation, physical appearance of facilities, services offered, family preferences, physicians, staff and price.

Regulation

Payments for health care services provided by the operators of our facilities are received principally from four sources: private funds; Medicaid, a medical assistance program for the indigent, operated by individual states with the financial participation of the federal government; Medicare, a federal health insurance program for the aged and certain chronically disabled individuals; and health and other insurance plans. Government revenue sources, particularly Medicaid programs, are subject to statutory and regulatory changes, administrative rulings, and government funding restrictions, all of which may materially increase or decrease the rates of payment to nursing facilities and the amount of additional rents payable to the Company under the Leases. Effective for cost reporting years beginning after July 1, 1998, the payment methodology for nursing homes under the Medicare program was changed. Under the new methodology, Medicare reimburses nursing home operators for nursing care, ancillary services and capital costs at a flat per diem rate. In the past, a cost-based system of reimbursement was used. This new reimbursement methodology is being phased in over four years. Payments under the new methodology are generally lower than the payments the facilities had historically received, however there has been some relief during 2000 as a portion of the reduction in payments was reversed. There is no assurance that payments under such programs will remain at levels comparable to the present levels or be sufficient to cover all the operating and fixed costs allocable to Medicaid and Medicare patients. Any changes in reimbursement levels could have an adverse impact on the revenues of the operators of our facilities, which could in turn adversely impact their ability to make their monthly lease or debt payments to us.

Health care facilities in which we invest are also generally subject to state licensure statutes and regulations and statutes which may require regulatory approval, in the form of a certificate of need (''CON''), prior to the addition or construction of new beds, the addition of services or certain capital expenditures. CON requirements generally do not apply to assisted living facilities. CON requirements are not uniform throughout the United States and are subject to change. We cannot predict the impact of regulatory changes with respect to licensure and CONs on the operations of our lessees and mortgagees.

Executive Officers of the Company

The table below sets forth the name, position and age of each executive officer of the Company. Each executive officer is appointed by our Board of Directors, serves at their pleasure and holds office until a successor is appointed, or until the earliest of death, resignation or removal. There is no ''family relationship'' between any of the named executive officers or any director of the Company. All information is given as of February 28, 2001.

Name	Position	Age
R. Bruce Andrews	President and Chief Executive Officer	60
Mark L. Desmond	Senior Vice President and Chief Financial Officer	42
T. Andrew Stokes	Senior Vice President of Corporate Development	53
Steven J. Insoft	Vice President of Development	37
John J. Sheehan, Jr.	Vice President of Development	43

R. Bruce Andrews—President and Chief Executive Officer since September 1989 and a director of the Company since October 1989. Mr. Andrews had previously served as a director of American Medical International, Inc., a hospital management company, and served as its Chief Financial Officer from 1970 to 1985 and its Chief Operating Officer in 1985 and 1986. From 1986 through 1989, Mr. Andrews was engaged in various private investments. Mr. Andrews is also a director of CenterTrust Retail Properties, Inc.

Mark L. Desmond—Senior Vice President and Chief Financial Officer since January 1996. Mr. Desmond was Vice President and Treasurer of the Company from May 1990 to December 1995 and Controller, Chief Accounting Officer and Assistant Treasurer of the Company from June 1988 to April 1990. From 1986 until joining the Company, Mr. Desmond held various accounting positions with Beverly, an operator of nursing facilities, pharmacies and pharmacy related outlets.

T. Andrew Stokes—Senior Vice President of Corporate Development since January 1996. Mr. Stokes was Vice President of Development of the Company from August 1992 to December 1995. From 1984 to 1988, Mr. Stokes served as Vice President, Corporate Development for American Medical International, Inc., a hospital management company. From 1989 until joining the Company, Mr. Stokes was Healthcare Group Director of Houlihan, Lokey, Howard & Zukin, a national financial advisory firm.

Steven J. Insoft—Vice President of Development since February 1998. From 1991 to 1997, Mr. Insoft served as President of CMI Senior Housing & Healthcare, Inc., an operator of nursing facilities. From 1988 to 1991, Mr. Insoft was an Associate in the Capital Markets Group of Prudential Insurance Company of America.

John J. Sheehan, Jr.—Vice President of Development since February 1996. From September 1987 through April 1990, Mr. Sheehan served as Director of Asset Management for Southmark Corporation, a real estate syndication company. From April 1990 until joining the Company, Mr. Sheehan was Vice President, Mortgage Finance for Life Care Centers of America, an operator and manager of nursing facilities.

Employees

As of February 28, 2001, the Company had fourteen employees.

RISK FACTORS

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

Operator Obligations

Our income would be adversely affected if a significant number of our operators were unable to meet their obligations to us or if we were unable to lease our facilities or make mortgage loans on economically favorable terms. There can be no assurance that any lessee will exercise its option to renew its lease upon the expiration of the initial term or that if such failure to renew were to occur, we could lease the facility to others on favorable terms.

Operator Governmental Regulations

Our operators are subject to significant regulation by federal, state and local governments. These laws and regulations are subject to frequent and substantial changes resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. These changes may have a dramatic effect on our operators' costs associated with doing business and the amount of reimbursement by both government and other third-party payors. These changes may be applied retroactively. The ultimate timing or effect of these changes cannot be predicted. The failure of any of our operators to comply with such laws, requirements and regulations could adversely affect such operator's ability to meet their obligations to the Company.

Operator Reimbursement Rates

The ability of our operators to generate revenue and profit affects the underlying value of our facilities. Revenues of our operators are generally derived from payments for patient care from the federal Medicare program, state Medicaid programs, private insurance carriers, health care service plans, health maintenance organizations, preferred provider arrangements, self-insured employers, as well as the patients themselves.

A significant portion of our operators' revenue is derived from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Both federal and state governments have adopted and continue to consider various health care reform proposals to control health care costs. In recent years, there have been fundamental changes in the Medicare program that resulted in reduced levels of payment for a substantial portion of health care services. In many instances, revenues from Medicaid programs are already insufficient to cover the actual costs incurred in providing care to those patients. In addition, reimbursement from private payors has in many cases effectively been reduced to levels approaching those of government payors.

Governmental and public concern regarding health care costs may result in significant reductions in payment to health care facilities, and there can be no assurance that future reimbursement rates for either governmental or private payors will be sufficient to cover cost increases in providing services to patients. Any changes in reimbursement policies that reduce reimbursement to levels that are insufficient to cover the cost of providing patient care could adversely affect revenues of our operators and thereby adversely affect their ability to meet their obligations to the Company.

Operator Financial Difficulties

Our facilities are operated by 57 health care providers including Alterra Healthcare Corporation, American Retirement Corporation, ARV Assisted Living, Beverly Enterprises, Inc., Harborside Healthcare Corporation, HEALTHSOUTH Corporation, Integrated Health Services, Inc. (''Integrated''), Mariner Post-Acute Network, Inc. (''Mariner'') and Sun Healthcare Group, Inc. (''Sun''). As of December 31, 2000, Alterra operated 54 facilities representing approximately 12% of our revenues. Other than Alterra, no health care provider operated facilities representing over 10% of our revenues.

As of December 31, 2000, three operators, Sun, Mariner and Integrated, have filed for bankruptcy protection. See ''Management's Discussion and Analysis—Information Regarding Certain Operators'' for a more comprehensive discussion of our relationship with these operators and a discussion regarding termination of the Company's leases with Balanced Care Corporation following their default in December 2000. In addition, in February 2001, Alterra announced that it commenced discussion with its principal lenders and lessors regarding the restructuring of its debt and lease obligations. While we expect to be able to accommodate Alterra's restructuring efforts without any adverse effect to the Company, there can be no guarantee that the restructuring will not have a negative impact on our earnings or cash flow.

Our financial position and our ability to make distributions may be adversely affected by financial difficulties experienced by any of our major operators, including bankruptcy, insolvency or general downturn in business of any such operator, or in the event any such operator does not renew and/or extend its relationship with us as it expires.

Operators Seeking Bankruptcy Protection

The Company is exposed to the risk that our operators may not be able to meet their obligations, which may result in bankruptcy or insolvency of our operators. Although our leases and loans provide the Company the right to terminate an investment, evict an operator, demand immediate repayment, and other remedies, the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. An operator in bankruptcy may be able to restrict the Company's ability to collect unpaid rent and interest during the bankruptcy proceeding.

If one of our lessees seeks bankruptcy protection, the lessee can either assume or reject the lease. If the lessee assumes the lease, the court cannot change the rental amount or any other lease provision which could financially impact the Company. However, if the lessee rejects the lease, the facility would be returned to the Company. If the facility is returned to the Company, our financial condition could be adversely affected by delays in leasing the facility to a new operator.

In the event of a default by our operators under mortgage loans, we may have to foreclose the mortgage or protect our interest by acquiring title to a property and thereafter making substantial improvements or repairs in order to maximize the facility's investment potential. Operators may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If an operator seeks bankruptcy protection, the automatic stay of the Bankruptcy Code would preclude us from enforcing foreclosure or other remedies against the operator unless relief is obtained from the court. High ''loan to value'' ratios or declines in the value of the facility may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

The receipt of liquidation proceeds or the replacement of an operator that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the replacement of the operator licensed to manage the facility. In some instances, the Company may take possession of a property that may expose the Company to successor liabilities. If any of these events occur, the Company's revenue and operating cash flow could be adversely affected. See ''Management's Discussion and Analysis—Information Regarding Certain Operators'' for a discussion regarding three of our operators that have filed for bankruptcy protection.

Fraud and Abuse Regulations

There are various federal and state laws prohibiting fraud by health care providers, including criminal provisions that prohibit filing false claims or making false statements to receive payment or certification under Medicare and Medicaid, or failing to refund overpayments or improper payments.

There are also laws that govern referrals and financial relationships. A wide array of relationships and arrangements, including ownership interests in a company by persons who refer or who are in a position to refer patients, as well as personal services agreements, have under certain circumstances, been alleged or been found to violate these provisions. State and federal governments are devoting increasing attention and resources to anti-fraud initiatives against health care providers.

Based upon information we have periodically received from our operators, we believe that the facilities in which we have investments are in substantial compliance with the various regulatory requirements applicable to them, although there can be no assurance that the operators are in compliance or will remain in compliance in the future.

Licensing, Certification and Accreditation

Our operators and facilities are subject to regulatory and licensing requirements of federal, state and local authorities. In granting and renewing licenses, regulatory agencies consider, among other things, the physical buildings and equipment, the qualifications of the administrative personnel and nursing staff, the quality of care and continuing compliance with the laws and regulations relating to the operation of the facilities. In the ordinary course of business, the operators receive notices of deficiencies for failure to comply with various regulatory requirements and take appropriate corrective and preventive actions.

Failure to obtain licensure or loss of licensure would prevent a facility from operating. Failure to maintain certification in the Medicare and Medicaid programs would result in a loss of funding from those programs. Although accreditation is generally voluntary, loss of accreditation could result in a facility failing to meet eligibility requirements to participate in various reimbursement programs. These events could adversely affect the facility operator's ability to meet its obligations to the Company.

Competition

The health care industry is highly competitive and we expect that it may become more competitive in the future. We generally compete with other REITs, real estate partnerships, health care providers and other investors, including, but not limited to, banks and insurance companies, in the acquisition, leasing and financing of health care facilities. Our operators are competing with numerous other companies providing similar health care services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. There can be no assurance that our operators will not encounter increased competition in the future that could limit their ability to attract residents or expand their businesses and therefore affect their ability to meet their obligations to the Company.

Debt Obligations

We are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to make distributions to our stockholders, that we will be unable to refinance existing indebtedness and that the terms of refinancing will not be as favorable as the terms of existing indebtedness.

If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds from other capital transactions, our cash flow may not be sufficient in all years to pay distributions to our stockholders and to repay all maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition and results of operations. See ''Management's Discussion and Analysis—Market Risk Exposure'' for a more comprehensive discussion regarding the impact of rising interest rates on our results of operations and financial condition.

Leverage

Financing for our future investments may be provided by borrowings under our bank line of credit, private or public offerings of debt and the assumption of secured indebtedness. 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. See ''Management's Discussion and Analysis—Liquidity and Capital Resources'' for a discussion regarding our indebtedness.

External Sources of Capital

In order to qualify as a REIT under the Internal Revenue Code, we are required each year to distribute to our stockholders at least 95% (90% for years ending after December 31, 2000) of our REIT taxable income. Because of this distribution requirement, we may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, we rely on other sources of capital, which we may not be able to obtain on favorable terms or at all. Our access to capital depends upon a number of factors, including general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. Additional debt financing may substantially increase our leverage.

Investment Level

Difficult capital market conditions in our industry have limited our access to capital. As a result, the level of our new investments has decreased and we do not anticipate making additional investments beyond our current commitments until such time as equity capital is available under more favorable terms. In the event that there are mortgage repayments or facility sales in excess of new investments, our revenues may decrease.

Change of Control Provisions

Our charter and bylaws contain provisions that may delay, defer or prevent a change in control or other transaction that could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price for our common stock.

In order to protect us against the risk of losing our REIT status for federal income tax purposes, our charter prohibits the ownership by any single person of more than 9.9% of the issued and outstanding shares of our voting stock. We will redeem shares acquired or held in excess of the ownership limit. In addition, any acquisition of our common stock or preferred stock that would result in our disqualification as a REIT is null and void. The ownership limit may have the effect of delaying, deferring or preventing a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with such transaction. The Board of Directors has increased to 20% the ownership limit applicable to our voting stock with respect to Cohen & Steers Capital Management, Inc. As of December 31, 2000, Cohen & Steers Capital Management, Inc. held 18.60% of our common stock.

Our charter authorizes us to issue additional shares of common stock and one or more series of preferred stock and to establish the preferences, rights and other terms of any series of preferred stock that we issue. Although our Board of Directors has no intention to do so at the present time, it could establish a series of preferred stock that could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

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

- The requirement of Maryland law that a proposed consolidation, merger, share exchange or transfer must be approved by two-thirds of the votes entitled to be cast on the matter; and
- the requirement of Maryland law that stockholders may only take action by written consent with the unanimous approval of all stockholders entitled to vote on the matter in question.

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

Stock Price

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

- the extent of investor interest;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies);
- our financial performance and that of our operators;
- the contents of analyst reports regarding the Company and the REIT industry; and
- general stock and bond market conditions, including changes in interest rates on fixed income securities which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions. Such an increase in the required yield from distributions may adversely affect the market price of our common stock.

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

The market value of the equity securities of a REIT is generally based upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions. For that reason, shares of our common stock may trade at prices that are higher or lower than the net asset value per share. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. Another factor that may influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of our common stock to expect a higher distribution yield, which would adversely affect the market price of our common stock.

REIT Status

We intend to operate in a manner to qualify as a REIT under the Internal Revenue Code. We believe that we have been organized and have operated in a manner, which would allow us to qualify as a REIT under the Internal Revenue Code. However, it is possible that we have been organized or have operated in a manner that would not allow us to qualify as a REIT, or that our future operations could cause us to fail to qualify. Qualification as a REIT requires us to satisfy numerous requirements established under highly technical and complex Internal Revenue Code provisions. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must pay dividends to stockholders aggregating annually at least 95% (90% for taxable years beginning after December 31, 2000) of our REIT taxable income. Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a REIT.

If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates. Unless we are entitled to relief under statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification. If we lose our REIT status, our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to stockholders.

Key Personnel

We depend on the efforts of our executive officers, particularly Mr. R. Bruce Andrews, Mr. T. Andrew Stokes and Mr. Mark L. Desmond. While we believe that we could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could have an adverse impact on our operations. Although we have entered into employment agreements with these executive officers, these employment agreements may not assure their continued service.

Item 2. Properties.

See Item 1 for details.

Item 3. Legal Proceedings.

There are various legal proceedings pending to which the Company is a party or to which some of its properties are subject arising in the normal course of business. We do not believe that the ultimate resolution of these proceedings will have a material adverse effect on the Company's consolidated financial position or results of operations.

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

None.

PART II

Item 5. Market For The Company's Common Equity and Related Stockholder Matters.

The Company's common stock is listed on the New York Stock Exchange. It has been our policy to declare quarterly dividends to holders of the Company's common stock in order to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Set forth below are the high and low sales prices of our common stock from January 1, 1999 to December 31, 2000 as reported by the New York Stock Exchange and the cash dividends per share paid with respect to such periods:

	High	Low	Dividend
2000			
First quarter	$14 13/16	$ 9 9/16	$.46
Second quarter	15	9 5/8	.46
Third quarter	16 3/8	13 7/8	.46
Fourth quarter	16 1/4	12	.46
1999			
First quarter	$22 1/4	$16 3/4	$.45
Second quarter	21	17 3/4	.45
Third quarter	19 3/16	14 15/16	.45
Fourth quarter	17 1/16	11 3/4	.45

As of February 28, 2001 there were approximately 1,000 holders of record of the Company's common stock.

Item 6. Selected Financial Data.

The following table presents selected financial data with respect to the Company. Certain of this financial data has been derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K and should be read in conjunction with those financial statements and accompanying notes and with ''Management's Discussion and Analysis of Financial Condition and Results of Operations.'' Reference is made to Note 4 of Notes to Consolidated Financial Statements for information regarding our acquisitions and divestitures.

	Years ended December 31,				
	2000	1999	1998	1997	1996
	(In thousands, except per share data)				
Operating Data:					
Total revenues	$ 171,396	$ 163,865	$ 142,584	$ 115,705	$ 95,776
Income from operations	70,013	71,148	67,427	62,988	54,944
Gain (loss) on sale of facilities	1,149	(335)	2,321	829	—
Net income	71,162	70,813	69,748	63,817	54,944
Preferred stock dividends	(7,677)	(7,677)	(7,677)	(1,962)	—
Net income available to common stockholders	63,485	63,136	62,071	61,855	54,944
Dividends paid on common stock	85,889	83,480	75,128	65,734	59,581
Per Share Data:					
Basic/diluted income from continuing operations available to common stockholders(1)	$ 1.35	$ 1.37	$ 1.34	$ 1.45	$ 1.36
Basic/diluted net income available to common stockholders	1.37	1.37	1.39	1.47	1.36
Dividends paid on common stock	1.84	1.80	1.68	1.56	1.48
Balance Sheet Data:					
Investments in real estate, net	$1,333,026	$1,372,064	$1,316,685	$1,053,273	$722,506
Total assets	1,381,007	1,430,056	1,357,303	1,077,394	744,984
Senior unsecured notes due 2001-2038	627,900	657,900	545,150	355,000	190,000
Bank borrowings	79,000	75,300	42,000	19,600	32,300
Convertible debentures	—	—	57,431	64,512	64,920
Notes and bonds payable	62,857	64,048	64,623	58,297	9,229
Stockholders' equity	563,472	585,590	605,558	553,046	428,588
Other Data:					
Net cash provided by operating activities	$ 99,940	$ 94,659	$ 106,067	$ 86,010	$ 74,129
Net cash provided by (used in) investing activities	11,258	(89,753)	(282,968)	(267,302)	(85,034)
Net cash provided by (used in) financing activities	(121,188)	(4,949)	182,891	179,775	14,677
Funds from operations available to common stockholders(2)	$ 99,632	$ 99,602	$ 92,726	$ 80,851	$ 71,667
Weighted average shares outstanding	46,226	46,216	44,637	42,164	40,373

(1) For per share purposes, income from continuing operations is defined as income before the effect of any gains or losses on sales of properties.

(2) Industry analysts generally consider funds from operations to be an alternative measure of the performance of an equity REIT. We therefore disclose funds from operations, although it is a measurement that is not defined by generally accepted accounting principles. We use the NAREIT measure of funds from operations, which is generally defined as income before extraordinary items adjusted for certain non-cash items, primarily real estate depreciation, less gains/losses on sales of facilities. The NAREIT measure may not be comparable to similarly titled measures used by other REITs. Consequently, our funds from operations may not provide a meaningful measure of our performance as compared to that of other REITs. Funds from operations does not represent cash generated from operating activities as defined by generally accepted accounting principles (funds from operations does not include changes in operating assets and liabilities) and, therefore, should not be considered as an alternative to net income as the primary indicator of operating performance or to cash flow as a measure of liquidity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statement Regarding Forward Looking Disclosure

Certain information contained in this report includes forward looking statements. Forward looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward looking terminology such as ''may'', ''will'', ''anticipates'', ''expects'', ''believes'', ''intends'', ''should'' or comparable terms or the negative thereof. All forward looking statements included in this report are based on information available to us on the date hereof. Such statements speak only as of the date hereof and we assume no obligation to update such forward looking statements. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include (without limitation) the following: the effect of economic and market conditions and changes in interest rates; the general distress of the healthcare industry; government regulations, including changes in the reimbursement levels under the Medicare and Medicaid programs; continued deterioration of the operating results or financial condition, including bankruptcies, of the Company's tenants; the ability of the Company to attract new operators for certain facilities; occupancy levels at certain facilities; the ability of the Company to sell certain facilities for their book value; the amount and yield of any additional investments; changes in tax laws and regulations affecting real estate investment trusts; access to the capital markets and the cost of capital; changes in the ratings of the Company's debt securities; and the risk factors set forth under the caption ''Risk Factors'' in Item 1.

Operating Results

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Minimum rent increased $6,974,000 or 6% in 2000 as compared to 1999. The increase was primarily a result of the 5 developments completed during 2000, combined with a full year of revenues earned by investments in additional facilities in 1999 and a shift in the characterization of rent from additional rent to minimum rent as a result of the new lease negotiated with Beverly Enterprises, Inc. (''Beverly'') discussed below. Interest and other income decreased by $195,000 or 1% in 2000 as compared to 1999. The decrease was primarily due to the payoff of a mortgage loan and the partial payoff of another mortgage loan during the year partially offset by the interest on the note receivable from Beverly discussed below. Additional rent and additional interest increased by $752,000 or 5% in 2000 as compared to 1999. The increase was attributable to increased additional rent and additional interest based on increases in the facility revenues or the Consumer Price Index pursuant to the Company's existing leases and mortgage loans receivable, partially offset by the shift in the characterization of additional rent to minimum rent discussed above.

Interest and amortization of deferred financing costs increased $6,770,000 or 13% in 2000 as compared to 1999. The increase was primarily due to the issuance of $112,750,000 in fixed rate medium-term notes during 1999, the interest on which is now included for a full year, increases in the average interest rates on the Company's $100,000,000 bank line of credit and a reduction in interest capitalized on construction projects, partially offset by the repayment of $30,000,000 of fixed rate medium term notes during the year. Depreciation and non-cash charges increased $1,165,000 or 3% in 2000 as compared to 1999. The increase was attributable to increased depreciation on the developments completed in 2000, a full year of depreciation related to facilities acquired in 1999 and depreciation adjustments, partially offset by the disposal of 17 facilities during 2000. General and administrative costs increased $731,000 or 15% in 2000 as compared to 1999 due to increases in legal fees related to three operators in bankruptcy, general cost increases and additional costs associated with the Company's larger asset base.

Effective January 1, 2000, the Company negotiated a new lease and settlement with Beverly that incorporates 38 of its 47 facilities leased to Beverly, most of which were up for renewal in 2000. The other 9 facilities leased to Beverly are on a separate lease that does not expire until 2010. The new lease provides for an initial five-year lease term for 18 of the 38 facilities. As part of the renewal settlement, 2 of the 38 facilities as well as 3 other facilities that Beverly had previously subleased to other operators were returned to Beverly. The renewal settlement included a promissory note of approximately $16,208,000 that bears interest at 9.0% and requires Beverly to make quarterly payments through its final maturity on December 31, 2004. The future revenues related to the promissory note will decrease as the Company receives the quarterly principal payments. Pursuant to the settlement, Beverly was to operate the remaining 18 facilities at reduced rentals until the earlier of January 1, 2001 or the date the Company was able to lease the facilities to new operators. As of December 31, 2000, the Company has leased 15 of these facilities to new operators, has decided to sell 2 for which it expects to receive approximately book value and anticipates having a new operator in place at the remaining facility by March 31, 2001 at a rental rate approximately equal to that currently being paid by Beverly; however, there is no guarantee that a new operator will be in place by that date, that the Company will receive a rental rate equal to the rental currently being paid by Beverly, or that the Company will actually receive book value for the facilities it intends to sell.

The Company expects increased rental revenues and interest income due to the addition of facilities to its property base and mortgage loans receivable over the last twelve months. The Company also expects increased additional rent and additional interest at individual facilities because the Company's leases and mortgages generally contain provisions under which additional rents or interest income increase with increases in facility revenues and/or increases in the Consumer Price Index. Historically, revenues at the Company's facilities and the Consumer Price Index generally have increased, although there are no assurances that they will continue to increase in the future. Sales of facilities or repayments of mortgages would serve to offset the aforementioned revenue increases, and if sales and repayments exceed additional investments this would actually reduce revenues. The Company expects that additional rent and additional interest may decrease due to lease renewals that may result in a shift in the characterization of revenue from additional rent to minimum rent. There is no assurance that leases will renew at the aggregate existing rent level, so the impact of lease renewals may be a decrease in the total rent received by the Company. Additional investments in health care facilities would also increase rental and/or interest income. As additional investments in facilities are made, depreciation and/or interest expense would also increase. Any such increases, however, are expected to be at least partially offset by rents or interest income associated with the investments.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Minimum rent increased $19,721,000 or 19% in 1999 as compared to 1998. The increase was primarily due to minimum rent resulting from the 19 developments completed during 1999, combined with a full year of revenues earned by investments in additional facilities in 1998. Interest and other income increased by $518,000 or 2% in 1999 as compared to 1998. The increase was primarily due to approximately $7,617,000 of working capital loans provided during 1999. Additional rent and additional interest increased by $1,042,000 or 7% in 1999 as compared to 1998. The increase was attributable to increased additional rent and additional interest as provided in the Company's existing leases and mortgage loans receivable based on increases in the facility revenues or the Consumer Price Index.

Interest and amortization of deferred financing costs increased $14,090,000 or 38% in 1999 as compared to 1998. The increase was primarily due to the issuance of $112,750,000 in medium-term notes during 1999, a full year of interest expense related to the issuance of $190,150,000 of medium-term notes in 1998 and a rise in interest rates during 1999. Depreciation and non-cash charges increased $8,155,000 or 29% in 1999 as compared to 1998. The increase was attributable to increased depreciation due to the developments completed in 1999 and a full year of depreciation related to facilities acquired in 1998. General and administrative costs increased $315,000 or 7% in 1999 as compared to 1998 due to general cost increases and additional costs associated with the Company's larger asset base.

Information Regarding Certain Operators

Over-leveraging and changes in reimbursement levels during 1999 have had an adverse impact on the financial performance of some of the companies that operate nursing homes owned by the Company. Three operators have filed for protection under the United States bankruptcy laws. The table below summarizes the filing dates of the bankruptcies, the number of the Company's owned facilities operated by each operator, the Company's investment in facilities subject to the bankruptcies, the percentage of the Company's revenue for 2000 relating to the facilities operated by each operator and cash deposits and letters of credit currently held by the Company as security for each operator:

Operator	Bankruptcy Filing Date	Number of Facilities Operated	Investment in Facilities	Percentage of 2000 Revenue	Security Deposits
Mariner Post-Acute Network	January 18, 2000	20	$ 60,354,000	6%	$2,655,000
Sun Healthcare Group, Inc.	October 14, 1999	19	65,082,000	4%	1,844,000
Integrated Health Services, Inc.	February 2, 2000	7	35,109,000	3%	643,000
Totals		46	$160,545,000	13%	$5,142,000

Under bankruptcy statutes, the tenant must either assume the Company's leases or reject them and return the properties to the Company. If the tenant assumes the leases, it is required to assume the leases under the existing terms; the court cannot change the rental amount or other lease provisions that could financially impact the Company. The tenant's decision whether to assume leases usually is based primarily on whether the properties that are operated by the tenant are providing positive cash flows. Only a few of the 46 facilities leased to and operated by these three companies are not providing adequate cash flows on their own to cover the rent under the leases. The Company's rent has been paid each month on a timely basis. While there is a possibility that the tenants may decide to reject the leases on these properties, the Company has identified parties interested in leasing these facilities, however such leases may be at a lower rental rate.

In addition to the above, the Company has one mortgage loan directly with Mariner Post-Acute Network in the amount of $7,497,000 that is secured by one facility. The revenues from this mortgage loan represent approximately 1% of the Company's revenues for the year ended December 31, 2000 and the mortgage loan is secured by a cash deposit in the amount of $400,000. The Company has not received any payments on this mortgage loan subsequent to March 2000. Under bankruptcy statutes, the court imposes an automatic stay with respect to the Company's actions to collect or pursue remedies with respect to mortgage loans and the Company is precluded from exercising foreclosure or other remedies against the borrower. Unlike a lease, a mortgage loan is not subject to assumption or rejection. The mortgage loan may be divided into (i) a secured loan for the portion of the mortgage loan that does not exceed the value of the property and (ii) an unsecured loan for the portion of the mortgage loan that exceeds the value of the property, which unsecured portion would be treated like general unsecured claims in the bankruptcy estate. The Company would only be entitled to the recovery of interest and costs if and to the extent that the value of the collateral exceeds the amount owed. In addition, the courts may modify the terms of a mortgage, including the rate of interest and timing of principal payments.

In December 2000, Balanced Care Corporation (''BCC'') notified the Company that it would only be making a partial payment of its December rent. The Company leased 10 facilities, in which its investment was approximately $68,712,000, located in 6 states in the eastern United States that were all constructed and opened during 1999 and 2000 to BCC under two master leases. The Company immediately declared BCC in default under its master leases and initiated steps to terminate the leases. BCC agreed to return the facilities to the Company and the leases were terminated effective as of January 1, 2001. The Company has identified a new operator who it anticipates will take over the operations of the facilities effective as of January 1, 2001 at lease rates essentially the same as those previously paid by BCC of approximately $580,000 per month. BCC is managing the facilities on an interim basis on the Company's behalf until the facility licenses can be transferred to the name of the new operator. The Company will avail itself of cash security deposits totaling approximately

$2,035,000 to cover the December rent and other costs incurred related to the default. The replacement of operators that have defaulted on lease or loan obligations could be delayed by the approval process of any regulatory agency necessary for the transfer of the property or the replacement of the operator licensed to operate the facility.

Liquidity and Capital Resources

During 2000, the Company provided new construction financing of approximately $16,793,000. Construction of five assisted living facilities was completed in 2000, in which the Company's total aggregate investment was approximately $44,384,000; $10,816,000 of this amount was a current year investment included in the new construction financing amount above. Upon completion of construction, the facilities were concurrently leased under terms generally similar to the Company's existing leases. During 2000, the Company also funded approximately $2,350,000 in capital improvements at certain facilities in accordance with certain existing lease provisions. Such capital improvements result in an increase in the minimum rents the Company earns on these facilities. The Company funded the construction advances and capital improvement advances with borrowings on the Company's bank line of credit and cash on hand.

During 2000, the Company sold six skilled nursing facilities, two assisted living facilities and one residential care facility for the elderly in six separate transactions for aggregate proceeds of approximately $20,294,000. The Company recognized an aggregate gain of $1,149,000 related to the disposal of these facilities. The Company used the proceeds to repay borrowings on the Company's bank line of credit.

During 2000, a loan with a net book value of approximately $7,509,000 secured by three skilled nursing facilities was repaid. In addition, a $3,666,000 portion of one of the mortgage loans secured by one skilled nursing facility was also repaid. The Company used the proceeds to repay borrowings on the Company's bank line of credit.

During 2000, the Company repaid $30,000,000 in aggregate principal amount of medium-term notes. The notes bore fixed interest at a weighted average interest rate of 7.43%. The Company funded the repayment with borrowings on the Company's bank line of credit and cash on hand. The Company has $78,150,000 of medium-term notes maturing in 2001 that it anticipates repaying with a combination of cash on hand, cash from operations, borrowings on the Company's bank line of credit and potentially with any mortgage loans receivable payoffs received or the issuance of additional medium-term notes under the shelf registrations discussed below.

At December 31, 2000, the Company had $21,000,000 available under its $100,000,000 unsecured bank line of credit. During the second quarter, the bank line of credit was amended, resulting in an extension of the maturity by one year to March 31, 2003. The amendment also modified the rates and covenants under the bank line of credit. At the option of the Company, borrowings under the bank line of credit bear interest at prime or LIBOR plus 1.275%. The Company pays a facility fee of .35% per annum on the total commitment under the bank line of credit. Under covenants contained in the credit agreement, the Company is required to maintain, among other things: (i) a minimum net worth of $475,000,000; (ii) a ratio of cash flow before interest expense and non-cash expenses to regularly scheduled debt service payments on all debt of at least 2.5 to 1.0; (iii) a ratio of total liabilities to net worth of not more than 1.6 to 1.0; and (iv) a gross asset value coverage ratio of at least 1.45 to 1.0.

The Company has shelf registrations on file with the Securities and Exchange Commission under which the Company may issue (a) up to $442,100,000 in aggregate principal amount of medium-term notes and (b) up to $178,247,000 of securities including debt, convertible debt, common and preferred stock.

The Company may make additional investments in healthcare related facilities. However, the level of the Company's new investments has decreased and the Company does not anticipate making additional investments beyond its current commitments until such time as access to equity capital is under more favorable terms.

Financing for future investments by the Company may be provided by borrowings under the Company's bank line of credit, private placements or public offerings of debt or equity, and the assumption of secured indebtedness. The Company anticipates the repayment of certain mortgages and the possible sale of certain facilities during 2001. In the event that there are mortgage repayments or facility sales in excess of new investments, revenues may decrease. The Company anticipates using the proceeds from any mortgage repayments or facility sales to reduce the outstanding balance on the Company's bank line of credit. Any such reduction would result in reduced interest expense that the Company believes would partially offset any decrease in revenues. The Company believes it has sufficient liquidity and financing capability to finance anticipated future investments, maintain its current dividend level and repay borrowings at or prior to their maturity.

Impact of New Accounting Pronouncements

During the fourth quarter of 2000, the Company was required to adopt SEC Staff Accounting Bulletin No. 101 *Revenue Recognition in Financial Statements* (''SAB No. 101''). The SEC considers this pronouncement to be a clarification of existing authoritative literature regarding revenue recognition, specifically regarding when revenue becomes earned and realizable. SAB No. 101 provides guidance on revenue recognition in various situations, however the portion that is relevant to the Company relates to the recognition of contingent rental income. The pronouncement states that contingent rental income should be recognized as revenue when the change in the factor on which the contingent lease payment is based actually occurs. Many of the Company's leases are structured so that the factor on which the contingent lease payments in the Company's leases are based is patient revenues in excess of base revenues. SAB No. 101 requires that additional rent not be recognized in the Company's financial statements until the customer's patient revenues for the lease year exceed the total base revenue amount. This differs from the Company's historical method of recognizing a portion of the contingent lease payments as they became calculable and payable on a quarterly basis in accordance with the Company's lease provisions based on a percentage of revenues in excess of base amounts for the prorated portion of the lease year completed. The impact of this pronouncement is mitigated in part by the fact that most of the Company's leases contain provisions that do not allow total rent to decrease from one year to the next.

SAB No. 101 requires that the Company adopt its provisions retroactively to January 1, 2000 and show a cumulative effect of a change in accounting principle as of that date. The adoption of this pronouncement did not have a material impact on the Company's financial statements for the year ended December 31, 2000, and did not result in a cumulative effect of a change in accounting principle being recorded as of January 1, 2000. While the impact was immaterial for the year ended December 31, 2000, SAB No. 101 does cause a change in the additional rent amounts reported in the Company's quarterly reports on Form 10-Q for the first, second and third quarters of 2000. These differences are reconciled in Note 16 to the Company's financial statements for the year ended December 31, 2000. The Company expects that the timing of the recognition of additional rent and interest in future quarterly periods may fluctuate due to the provisions of SAB No. 101.

Market Risk Exposure

The Company is exposed to market risks related to fluctuations in interest rates on its mortgage loans receivable and debt. The Company does not utilize interest rate swaps, forward or option contracts on foreign currencies or commodities, or other types of derivative financial instruments. The purpose of the following analyses is to provide a framework to understand the Company's sensitivity to hypothetical changes in interest rates as of December 31, 2000. Readers are cautioned that many of the statements contained in the ''Market Risk Exposure'' paragraphs are forward looking and should be read in conjunction with the Company's disclosures under the heading ''Statement Regarding Forward Looking Disclosure'' set forth above.

The Company provides mortgage loans to operators of healthcare facilities as part of its normal operations. The majority of the loans have fixed rates. Four of the mortgage loans have adjustable rates; however, the rates adjust only once or twice over the term of the loans and the minimum adjusted rate is equal to the current rate. Therefore, all mortgage loans receivable are treated as fixed rate notes in the table and analysis below.

The Company utilizes debt financing primarily for the purpose of making additional investments in healthcare facilities. Historically, the Company has made short-term borrowings on its bank line of credit to fund its acquisitions and construction projects until market conditions were appropriate, based on management's judgment, to issue stock or fixed rate debt to provide long-term financing. A portion of the Company's secured debt is variable rate debt in the form of housing revenue bonds, which were assumed in connection with the acquisition of certain healthcare facilities. Pursuant to the associated lease arrangements, increases or decreases in the interest rates on the housing revenue bonds would be substantially offset by increases or decreases in the rent received by the Company on the properties securing this debt. Therefore, there is substantially no market risk associated with the Company's variable rate secured debt.

For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact fair market value, but do affect the future earnings and cash flows. The Company generally cannot prepay fixed rate debt prior to maturity, therefore, interest rate risk and changes in fair market value should not have a significant impact on the fixed rate debt until the Company would be required to refinance such debt. Holding the variable rate debt balance constant, and including the bank borrowings as variable rate debt due to its nature, each one percentage point increase in interest rates would result in an increase in interest expense for the coming year of approximately $912,000.

The table below details the principal amount and the average interest rates for the mortgage loans receivable and debt for each category based on the final maturity dates. Certain of the mortgage loans receivable and certain items in the various categories of debt require periodic principal payments prior to the final maturity date. The fair value estimates for the mortgage loans receivable are based on the estimates of management and on rates currently prevailing for comparable loans. The fair market value estimates for debt securities are based on discounting future cash flows utilizing current rates offered to the Company for debt of the same type and remaining maturity.

	Maturity Date							
	2001	**2002**	**2003**	**2004**	**2005**	**Thereafter**	**Total**	**Fair Value**
	(Dollars in thousands)							
Assets								
Mortgage loans receivable	$ 4,704	—	$ 3,189	$ 4,698	$ 5,012	$168,020	$185,623	$185,671
Average interest rate	10.00%	—	9.94%	9.00%	11.30%	10.14%	10.15%	
Liabilities								
Debt								
Fixed rate	$78,150	$50,000	$66,000	$67,750	$18,000	$398,613	$678,513	$618,204
Average interest rate	6.89%	7.35%	7.49%	9.08%	8.66%	7.30%	7.50%	
Variable rate	—	—	—	—	—	$ 12,244	$ 12,244	$ 12,244
Average interest rate	—	—	—	—	—	5.23%	5.23%	
Bank borrowings	—	—	$79,000	—	—	—	$ 79,000	$ 79,000
Average interest rate	—	—	8.13%	—	—	—	8.13%	

Increases in interest rates during 1999 resulted in an increase in interest expense for the Company primarily related to the bank line of credit and medium-term notes issued during the year at rates somewhat higher than in prior years. Increases in interest rates during 2000 have resulted in an additional increase in interest expense related to the Company's bank line of credit. These interest rate increases have made it more expensive for the Company to borrow on its bank line of credit and to access debt capital through its medium-term note program. Any future interest rate increases will further increase the cost of any borrowings to refinance current long-term debt as it matures or finance future acquisitions.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Directors of
Nationwide Health Properties, Inc.:

We have audited the accompanying consolidated balance sheets of Nationwide Health Properties, Inc. (a Maryland corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nationwide Health Properties, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Orange County, California
January 19, 2001

NATIONWIDE HEALTH PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31, 2000	December 31, 1999
ASSETS		
Investments in real estate		
Real estate properties:		
Land	$ 142,721	$ 146,712
Buildings and improvements	1,182,410	1,146,921
Construction in progress	8,478	37,740
	1,333,609	1,331,373
Less accumulated depreciation	(186,206)	(162,671)
	1,147,403	1,168,702
Mortgage loans receivable, net	185,623	203,362
	1,333,026	1,372,064
Cash and cash equivalents	6,149	16,139
Receivables	7,607	7,614
Other assets	34,225	34,239
	$1,381,007	$1,430,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
Bank borrowings	$ 79,000	$ 75,300
Senior notes due 2001-2038	627,900	657,900
Notes and bonds payable	62,857	64,048
Accounts payable and accrued liabilities	47,778	47,218
Commitments and contingencies		
Stockholders' equity:		
Preferred stock $1.00 par value; 5,000,000 shares authorized; issued and outstanding: 1,000,000 as of December 31, 2000 and 1999; stated at liquidation preference of $100 per share	100,000	100,000
Common stock $.10 par value; 100,000,000 shares authorized; issued and outstanding: 46,226,484 and 46,216,484 as of December 31, 2000 and 1999, respectively	4,623	4,622
Capital in excess of par value	556,658	556,373
Cumulative net income	575,619	504,457
Cumulative dividends	(673,428)	(579,862)
Total stockholders' equity	563,472	585,590
	$1,381,007	$1,430,056

See accompanying notes.

NATIONWIDE HEALTH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands except per share amounts)

	Years ended December 31, 2000	1999	1998
Revenues:			
Minimum rent	$130,900	$123,926	$104,205
Interest and other income	23,182	23,377	22,859
Additional rent and additional interest	17,314	16,562	15,520
	171,396	163,865	142,584
Expenses:			
Interest and amortization of deferred financing costs	58,391	51,621	37,531
Depreciation and non-cash charges	37,296	36,131	27,976
General and administrative	5,696	4,965	4,650
Impairment of long-lived assets	—	—	5,000
	101,383	92,717	75,157
Income before gain (loss) on sale of facilities	70,013	71,148	67,427
Gain (loss) on sale of facilities	1,149	(335)	2,321
Net income	71,162	70,813	69,748
Preferred stock dividends	(7,677)	(7,677)	(7,677)
Net income available to common stockholders	$ 63,485	$ 63,136	$ 62,071
Per share amounts:			
Basic/diluted income from continuing operations available to common stockholders	$ 1.35	$ 1.37	$ 1.34
Basic/diluted net income available to common stockholders	$ 1.37	$ 1.37	$ 1.39
Weighted average shares outstanding	46,226	46,216	44,637

See accompanying notes.

NATIONWIDE HEALTH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common stock		Preferred Stock		Capital in excess of par value	Cumulative net income	Cumulative dividends	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balances at December 31, 1997	43,129	$4,313	1,000	$100,000	$490,737	$363,896	$(405,900)	$553,046
Issuance of common stock	2,761	276	—	—	58,248	—	—	58,524
Conversion of debentures	316	32	—	—	7,013	—	—	7,045
Net income	—	—	—	—	—	69,748	—	69,748
Preferred dividends	—	—	—	—	—	—	(7,677)	(7,677)
Common dividends	—	—	—	—	—	—	(75,128)	(75,128)
Balances at December 31, 1998	46,206	4,621	1,000	100,000	555,998	433,644	(488,705)	605,558
Issuance of common stock	10	1	—	—	327	—	—	328
Conversion of debentures	—	—	—	—	8	—	—	8
Stock options	—	—	—	—	40	—	—	40
Net income	—	—	—	—	—	70,813	—	70,813
Preferred dividends	—	—	—	—	—	—	(7,677)	(7,677)
Common dividends	—	—	—	—	—	—	(83,480)	(83,480)
Balances at December 31, 1999	46,216	4,622	1,000	100,000	556,373	504,457	(579,862)	585,590
Issuance of common stock	10	1	—	—	225	—	—	226
Stock options	—	—	—	—	60	—	—	60
Net income	—	—	—	—	—	71,162	—	71,162
Preferred dividends	—	—	—	—	—	—	(7,677)	(7,677)
Common dividends	—	—	—	—	—	—	(85,889)	(85,889)
Balances at December 31, 2000	46,226	$4,623	1,000	$100,000	$556,658	$575,619	$(673,428)	$563,472

See accompanying notes.

NATIONWIDE HEALTH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years ended December 31,		
	2000	**1999**	**1998**
Cash flows from operating activities:			
Net income	$ 71,162	$ 70,813	$ 69,748
Depreciation and non-cash charges	37,296	36,131	27,976
(Gain) loss on sale of properties	(1,149)	335	(2,321)
Impairment of long-lived assets	—	—	5,000
Amortization of deferred financing costs	1,011	940	980
Net change in other assets and liabilities	(8,380)	(13,560)	4,684
Net cash provided by operating activities	99,940	94,659	106,067
Cash flows from investing activities:			
Investment in real estate properties	(20,843)	(110,590)	(279,384)
Disposition of real estate properties	21,004	23,669	5,496
Investment in mortgage loans receivable	(2,929)	(5,011)	(18,711)
Principal payments on mortgage loans receivable	14,026	2,179	9,631
Net cash provided by (used in) investing activities	11,258	(89,753)	(282,968)
Cash flows from financing activities:			
Bank borrowings	180,800	262,600	308,800
Repayment of bank borrowings	(177,100)	(229,300)	(286,400)
Issuance of common stock, net			53,062
Issuance of senior unsecured debt	—	112,750	190,150
Issuance of notes and bonds	—	—	4,507
Repayments of senior unsecured debt	(30,000)	—	—
Principal payments on convertible debentures, notes and bonds	(1,082)	(58,470)	(2,729)
Dividends paid	(93,566)	(91,157)	(82,805)
Deferred financing costs	(240)	(1,372)	(1,694)
Net cash provided by (used in) financing activities	(121,188)	(4,949)	182,891
Increase (decrease) in cash and cash equivalents	(9,990)	(43)	5,990
Cash and cash equivalents, beginning of period	16,139	16,182	10,192
Cash and cash equivalents, end of period	$ 6,149	$ 16,139	$ 16,182
Supplemental schedule of cash flow information:			
Cash interest paid	$ 57,995	$ 49,402	$ 38,402

See accompanying notes.

NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2000, 1999 and 1998

1. Organization

Nationwide Health Properties, Inc. (the ''Company'') was incorporated on October 14, 1985 in the State of Maryland. The Company operates as a real estate investment trust specializing in investments in health care related properties and as of December 31, 2000 had investments in 328 health care facilities, including 182 skilled nursing facilities, 127 assisted living facilities, 14 continuing care retirement communities, 2 residential care facilities for the elderly, 2 rehabilitation hospitals and 1 medical clinic. At December 31, 2000, the Company owned 146 skilled nursing facilities, 120 assisted living facilities, 10 continuing care retirement communities, 2 residential care facilities for the elderly, 2 rehabilitation hospitals and 1 medical clinic. The Company also held 35 mortgage loans secured by 36 skilled nursing facilities, 7 assisted living facilities, 4 continuing care retirement communities and 4 parcels of land. In addition, at December 31, 2000, the Company had 1 assisted living facility under construction. The Company has no foreign facilities or operations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and its investment in its majority owned and controlled joint ventures. All material intercompany accounts and transactions have been eliminated.

Land, Buildings and Improvements

The Company records properties at cost and uses the straight-line method of depreciation for buildings and improvements over their estimated remaining useful lives of up to 40 years. The Company reviews and adjusts facility useful lives based on management's estimates.

Cash and Cash Equivalents

Cash in excess of daily requirements is invested in money market mutual funds, commercial paper and repurchase agreements with original maturities of three months or less. Such investments are deemed to be cash equivalents for purposes of presentation in the financial statements.

Federal Income Taxes

The Company qualifies as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. The Company intends to continue to qualify as such and therefore to distribute at least 95% of its real estate investment trust taxable income to its stockholders. Accordingly, the Company will not be subject to Federal income taxes on its income that is distributed to stockholders. Therefore, no provisions for Federal income taxes have been made in the Company's financial statements. The net difference in the tax basis and the reported amounts of the Company's assets and liabilities as of December 31, 2000 is approximately $19,087,000.

Revenue Recognition

Rental income from operating leases is accrued as earned over the life of the lease agreements in accordance with generally accepted accounting principles. There are generally no step rent provisions in the lease agreements. Interest income on real estate mortgages is recognized using the effective interest method based upon the expected payments over the lives of the mortgages. Additional rent and additional interest are generally computed as a percentage of facility net patient revenues in excess of base amounts or as a percentage of the increase in the Consumer Price Index. Additional rent and interest are generally calculated and payable monthly or quarterly, and most of the Company's leases contain provisions such that total rent cannot decrease from one year to the next. While the calculations and payments are generally made on a quarterly basis, SEC Staff Accounting Bulletin No. 101 *Revenue Recognition in Financial Statements* (''SAB No. 101''), which the Company adopted during the fourth quarter of 2000, and which is discussed in detail below under the heading *Impact of New Accounting Pronouncements*, does not allow for the recognition of such revenue until all possible contingencies have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Stock-Based Compensation

In 1999, the Company adopted the accounting provisions of SFAS No. 123 *Accounting for Stock-Based Compensation*. This Statement established a fair value based method of accounting for stock-based compensation. Accounting for stock-based compensation under this Statement causes the fair value of stock options granted to be amortized into expense over the vesting period of the stock and causes any dividend equivalents earned to be treated as dividends for financial reporting purposes. Previously, the Company provided footnote disclosure of the pro forma effect of options granted as calculated under the provisions of SFAS No. 123.

Capitalization of Interest

The Company capitalizes interest on facilities under construction. The capitalization rates used are based on rates for the Company's senior unsecured notes and bank line of credit, as applicable. Capitalized interest in 2000, 1999 and 1998 was $1,245,000, $4,190,000 and $4,693,000, respectively.

Impact of New Accounting Pronouncements

During the fourth quarter of 2000, the Company was required to adopt SAB No. 101. The SEC considers this pronouncement to be a clarification of existing authoritative literature regarding revenue recognition, specifically regarding when revenue becomes earned and realizable. SAB No. 101 provides guidance on revenue recognition in various situations, however the portion that is relevant to the Company relates to the recognition of contingent rental income. The pronouncement states that contingent rental income should be recognized as revenue when the change in the factor on which the contingent lease payment is based actually occurs. As discussed above, many of the Company's leases are structured so that the factor on which the contingent lease payments in the Company's leases are based is patient revenues in excess of base revenues. SAB No. 101 requires that additional rent not be recognized in the Company's financial statements until the customer's patient revenues for the lease year exceed the total base revenue amount. This differs from the Company's historical method of recognizing a portion of the contingent lease payments as they became calculable and payable on a quarterly basis in accordance with the Company's lease provisions based on a percentage of revenues in excess of base amounts for the prorated portion of the lease year completed. The impact of this pronouncement is mitigated in part by the fact that most of the Company's leases contain provisions that do not allow total rent to decrease from one year to the next.

SAB No. 101 requires that the Company adopt its provisions retroactively to January 1, 2000 and show a cumulative effect of a change in accounting principle as of that date. The adoption of this pronouncement did not have a material impact on the Company's financial statements for the year ended December 31, 2000, and did not result in a cumulative effect of a change in accounting principle being recorded as of January 1, 2000. While the impact was immaterial for the year ended December 31, 2000, SAB No. 101 does cause a change in the additional rent amounts reported in the Company's quarterly reports on Form 10-Q for the first, second and third quarters of 2000. These differences are reconciled in Note 16 ''Quarterly Financial Data''. The Company expects that the timing of the recognition of additional rent and interest in future quarterly periods may fluctuate due to the provisions of SAB No. 101.

3. Earnings Per Share

Basic earnings per share is computed by dividing income from continuing operations available to common stockholders by the weighted average common shares outstanding. Income available to common stockholders is calculated by deducting dividends declared on preferred stock from income from continuing operations and net income. Diluted earnings per share includes the effect of the potential shares outstanding; dilutive stock options. The table below details the components of the basic and diluted earnings per share from continuing operations calculations:

	Years Ended December 31,					
	2000		1999		1998	
	Income	Shares	Income	Shares	Income	Shares
	(Amounts in thousands)					
Income before gain (loss) on sale of facilities	$70,013		$71,148		$67,427	
Less: preferred stock dividends	(7,677)		(7,677)		(7,677)	
Basic EPS	62,336	46,226	63,471	46,216	59,750	44,637
Effect of dilutive securities:						
Stock options	—	2	—	—	—	8
Amounts used to calculate Diluted EPS	$62,336	46,228	$63,471	46,216	$59,750	44,645

4. Real Estate Properties

Substantially all of the Company's owned facilities are leased under ''net'' leases which are accounted for as operating leases. The leases generally have initial terms ranging from 5 to 19 years, and generally the leases have two or more multiple-year renewal options. The Company earns fixed monthly minimum rents and may earn periodic additional rents. The additional rent payments are generally computed as a percentage of facility net patient revenues in excess of base amounts or as a percentage of the increase in the Consumer Price Index. Additional rents are generally calculated and payable monthly or quarterly, but are not recognized as revenue until any contingencies are resolved. Most leases contain provisions such that the total rent cannot decrease from one year to the next. In addition, most leases contain cross-collateralization and cross-default provisions tied to other leases with the same lessee, as well as grouped lease renewals and grouped purchase options. Obligations under the leases have corporate guarantees, and leases covering 197 facilities are backed by irrevocable letters of credit or cash security deposits that cover 1 to 12 months of monthly minimum rents. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

Minimum future rentals on non-cancelable leases as of December 31, 2000 are as follows:

Year	Minimum Rentals	Year	Minimum Rentals
	(In thousands)		(In thousands)
2001	$131,358	2007	83,323
2002	129,630	2008	73,489
2003	122,402	2009	60,816
2004	118,798	2010	42,359
2005	105,869	Thereafter	79,498
2006	97,189		

During 2000, the Company provided new construction financing of approximately $16,793,000. Construction of five assisted living facilities was completed in 2000, in which the Company's total aggregate investment was $44,384,000; $10,816,000 of this amount was a current year investment included in the new construction financing amount above. Upon completion of construction, the facilities were concurrently leased under terms generally similar to the Company's existing leases. The Company also funded approximately $2,350,000 in capital improvements at certain facilities in accordance with certain existing lease provisions. Such capital improvements result in an increase in the minimum rents earned by the Company on these facilities.

During 2000, the Company sold six skilled nursing facilities, two assisted living facilities, and one residential care facility for the elderly in six separate transactions for aggregate proceeds of approximately $20,294,000. The Company recognized an aggregate gain of $1,149,000 related to the disposal of these facilities. The Company also sold 3 skilled nursing facilities during 2000 with an aggregate net book value of approximately $6,343,000 for which it provided mortgage financing in the amount of $6,080,000. In addition, the Company acquired two skilled nursing facilities and one continuing care retirement community for an aggregate amount of approximately $15,357,000, for which it had previously provided mortgage financing of $14,260,000.

The following table lists the Company's real estate properties as of December 31, 2000:

Facility Location	Number of Facilities	Land	Buildings and Improvements	Total Investment(1)	Accumulated Depreciation	Notes and Bonds Payable
			(Dollar amounts in thousands)			
Assisted Living Facilities:						
Alabama	2	$ 1,681	$ 4,272	$ 5,953	$ 487	$ —
Arizona	2	1,024	6,844	7,868	769	—
Arkansas	1	182	1,968	2,150	109	—
California	13	15,105	64,473	79,578	9,866	—
Colorado	6	3,465	42,150	45,615	3,538	—
Delaware	1	345	4,956	5,301	217	—
Florida	20	12,581	80,319	92,900	5,816	—
Idaho	1	544	11,256	11,800	1,259	—
Illinois	1	603	10,473	11,076	1,047	—
Indiana	1	805	3,861	4,666	257	—
Kansas	4	1,885	11,585	13,470	918	—
Kentucky	1	110	2,547	2,657	200	—
Louisiana	1	831	6,553	7,384	191	—

Facility Location	Number of Facilities	Land	Buildings and Improvements	Total Investment(1)	Accumulated Depreciation	Notes and Bonds Payable
			(Dollar amounts in thousands)			
Assisted Living Facilities (Continued):						
Maryland	1	$ 533	$ 4,629	$ 5,162	$ 155	$ —
Massachusetts	1	1,758	9,249	11,007	573	—
Michigan	1	300	7,006	7,306	1,161	—
Nevada	2	1,219	12,397	13,616	985	6,630
New Jersey	1	655	3,430	4,085	193	—
North Carolina	1	385	2,531	2,916	174	—
Ohio	11	3,623	34,971	38,594	2,604	—
Oklahoma	3	745	7,355	8,100	1,249	—
Oregon	6	2,078	26,753	28,831	3,705	8,843
Pennsylvania	2	1,066	13,562	14,628	571	—
Rhode Island	3	2,877	27,043	29,920	650	—
South Carolina	4	779	10,262	11,041	615	—
Tennessee	5	2,664	21,870	24,534	1,179	—
Texas	16	7,283	67,962	75,245	4,702	—
Virginia	2	1,651	11,318	12,969	195	—
Washington	4	1,841	21,094	22,935	1,986	—
West Virginia	1	705	5,305	6,010	152	—
Wisconsin	2	4,843	24,218	29,061	2,064	18,521
Subtotals	120	74,166	562,212	636,378	47,587	33,994
Skilled Nursing Facilities:						
Arizona	1	650	2,890	3,540	906	—
Arkansas	9	2,745	33,187	35,932	3,186	2,185
California	8	7,053	19,428	26,481	5,397	—
Connecticut	2	810	5,382	6,192	1,483	—
Florida	8	3,640	25,656	29,296	6,724	—
Georgia	2	1,363	10,322	11,685	1,520	—
Idaho	1	15	777	792	272	—
Illinois	2	157	5,392	5,549	1,692	—
Indiana	7	751	26,583	27,334	8,339	—
Kansas	9	760	13,159	13,919	3,266	—
Maryland	4	845	21,388	22,233	8,692	—
Massachusetts	17	7,488	67,604	75,092	11,971	—
Minnesota	7	1,973	26,179	28,152	9,315	—
Mississippi	1	750	3,595	4,345	231	—
Missouri	1	51	2,689	2,740	1,153	—
Nevada	1	740	3,294	4,034	762	—
New Jersey	1	360	6,448	6,808	4,176	—
North Carolina	1	116	2,244	2,360	962	—
Ohio	6	1,316	28,235	29,551	9,271	—
Oklahoma	3	98	3,841	3,939	1,422	—
Oregon	1	100	1,115	1,215	534	—
Tennessee	10	2,354	33,152	35,506	5,980	—

Facility Location	Number of Facilities	Land	Buildings and Improvements	Total Investment(1)	Accumulated Depreciation	Notes and Bonds Payable
			(Dollar amounts in thousands)			
Skilled Nursing Facilities (Continued):						
Texas	25	$ 5,270	$ 55,289	$ 60,559	$ 13,299	$ —
Virginia	4	1,036	17,532	18,568	7,516	—
Washington	7	2,973	26,404	29,377	4,721	—
Wisconsin	8	1,571	18,121	19,692	7,335	—
Subtotals	146	44,985	459,906	504,891	120,125	2,185
Continuing Care Retirement Communities:						
California	1	1,600	10,827	12,427	1,689	—
Colorado	1	400	2,715	3,115	611	—
Georgia	1	723	10,769	11,492	564	—
Kansas	1	687	12,517	13,204	1,187	2,500
Massachusetts	1	1,351	12,941	14,292	853	—
Tennessee	1	174	3,004	3,178	25	—
Texas	2	2,681	34,655	37,336	3,054	—
Wisconsin	2	11,057	53,294	64,351	5,125	24,178
Subtotals	10	18,673	140,722	159,395	13,108	26,678
Rehabilitation Hospitals:						
Arizona	2	1,517	15,309	16,826	3,863	—
Residential Care Facilities for the Elderly:						
California	2	63	262	325	55	—
Medical Clinics:						
Alabama	1	248	2,185	2,433	1,451	—
Construction In Progress:		1,000	8,478	9,478	—	—
Land Parcels:						
Kentucky	—	578	—	578	—	—
New Hampshire	—	638	98	736	—	—
Ohio	—	253	1506	1759	16	
Texas	—	600	210	810	1	—
Subtotals	—	2,069	1,814	3,883	17	—
Total Facilities	281	$142,721	$1,190,888	$1,333,609	$186,206	$62,857

(1) Also represents the approximate aggregate cost for Federal income tax purposes.

Three operators of nursing homes owned by the Company have filed for protection under the United States bankruptcy laws. Under bankruptcy statutes, the tenant must either assume the Company's leases or reject them and return the properties to the Company. If the tenant assumes the leases, it is required to assume the leases under the existing terms; the court cannot change the rental amount or other lease provisions that could financially impact the Company. The Company's rent has been paid each month on a timely basis. While there is a possibility that the tenants may decide to reject the leases on these properties, the Company has identified parties interested in leasing these facilities, however such leases may be at a lower rental rate. The table below summarizes the filing dates of the bankruptcies, the number of the Company's owned facilities operated by each operator, the Company's investment in facilities subject to the bankruptcies, the percentage of the Company's revenue for 2000 relating to the facilities operated by each operator and cash deposits and letters of credit currently held by the Company as security for each operator:

Operator	Bankruptcy Filing Date	Number of Facilities Operated	Investment in Facilities	Percentage of 2000 Revenue	Security Deposits
Mariner Post-Acute Network	January 18, 2000	20	$ 60,354,000	6%	$2,655,000
Sun Healthcare Group, Inc.	October 14, 1999	19	65,082,000	4%	1,844,000
Integrated Health Services, Inc.	February 2, 2000	7	35,109,000	3%	643,000
Totals		46	$160,545,000	13%	$5,142,000

The Company leased 10 assisted living facilities, in which its investment was approximately $68,712,000, to Balanced Care Corporation (''BCC'') under two master leases. BCC didn't make their December rent payment and the Company immediately declared BCC in default under its master leases and initiated steps to terminate the leases. BCC agreed to return the facilities to the Company and the leases were terminated effective as of January 1, 2001. The Company is in negotiations with a new operator to take over the operations of the facilities at lease rates essentially the same as those previously paid by BCC. BCC is managing the facilities on an interim basis on the Company's behalf until the facility licenses can be transferred to the name of the new operator. The Company will avail itself of cash security deposits totaling approximately $2,035,000 to cover the December rent and other costs incurred related to the default.

5. Mortgage Loans Receivable

During 2000, the Company financed the sale of 3 skilled nursing facilities in 2 separate transactions with an aggregate principal amount of $6,080,000. In addition, the Company funded an additional $2,929,000 on existing mortgage loans. Such additional amounts funded will result in an increase in interest income earned by the Company. During 2000, a loan with a net book value of approximately $7,509,000 secured by 3 skilled nursing facilities was repaid, as was a $3,666,000 portion of another mortgage loan secured by 1 facility. The Company also acquired two skilled nursing facilities and one assisted living facility for which it previously provided mortgage financing in the amount of $14,260,000. At December 31, 2000, the Company had 35 mortgage loans receivable secured by 36 skilled nursing facilities, 7 assisted living facilities, 4 continuing care retirement communities and 4 parcels of land. The loans have an aggregate principal balance of approximately $191,020,000 and are reflected in the Company's financial statements net of an aggregate discount of approximately $5,397,000. The principal balances of mortgage loans receivable as of December 31, 2000 mature approximately as follows: $7,896,000 in 2001, $2,774,000 in 2002, $7,360,000 in 2003, $7,280,000 in 2004, $6,134,000 in 2005 and $159,576,000 thereafter.

The following table lists the Company's mortgage loans receivable at December 31, 2000:

Location of Facilities	Number of Facilities	Interest Rate	Final Maturity Date	Estimated Balloon Payment(1)	Original Face Amount of Mortgages	Carrying Amount of Mortagages(2)
			(Dollar amounts in thousands)			
Assisted Living Facilities:						
Alabama	—	9.00%	06/04	$ 710	$ 710	$ 710
Florida	2	10.31%	09/20	—	7,230	7,202
Florida	—	9.00%	04/04	1,013	1,013	1,013
Michigan	—	9.00%	06/04	1,675	1,675	1,675
North Carolina	2	10.44%	05/07	2,950	2,950	2,950
Pennsylvania	—	9.00%	06/04	1,300	1,300	1,300
Pennsylvania	1	9.09%	09/08	2,900	2,900	2,900
South Carolina	1	9.09%	09/08	2,955	2,955	2,955
Washington	1	9.95%	12/15	6,432	6,557	6,557
Subtotals	7			19,935	27,290	27,262
Skilled Nursing Facilities:						
Arkansas	3	10.00%	12/06	4,946	5,500	5,102
California	1	10.00%	05/25	1,489	8,200	8,063
California	2	9.50%	03/09	5,336	7,841	7,140
Connecticut	2	10.00%	06/22	—	8,862	7,008
Florida	—	11.15%	07/03	—	4,400	558
Florida	1	11.45%	07/06	4,400	4,400	4,400
Florida	2	10.00%	12/01	4,850	4,850	4,704
Florida	1	10.00%	12/03	1,028	1,230	1,113
Illinois	1	9.00%	01/24	—	9,500	8,504
Indiana	1	11.15%	07/03	—	785	304
Kansas	1	9.50%	09/03	1,169	1,550	1,214
Louisiana	1	10.89%	04/15	2,407	3,850	3,758
Maryland	1	10.90%	06/21	—	7,800	7,497
Massachusetts	1	8.75%	02/24	—	9,000	7,687
Michigan	2	13.16%	01/05	2,506	3,000	2,560
Michigan	1	9.00%	01/05	1,231	1,800	1,463
Missouri	6	10.87%	08/11	13,619	17,725	13,619
South Dakota	1	10.75%	05/05	—	4,275	603
Tennessee	1	10.44%	01/07	8,550	8,550	8,550
Texas	1	12.00%	03/08	—	1,460	927
Virginia	1	10.50%	04/13	10,192	16,250	15,754
Washington	4	11.00%	10/19	112	6,000	5,605
Wisconsin	1	10.75%	05/05	—	1,350	386
Subtotals	36			61,835	138,178	116,519

Location of Facilities	Number of Facilities	Interest Rate	Final Maturity Date	Estimated Balloon Payment(1)	Original Face Amount of Mortgages	Carrying Amount of Mortagages(2)
			(Dollar amounts in thousands)			
Continuing Care Retirement Communities:						
California	1	9.50%	03/09	$ 2,831	$ 4,159	$ 3,788
Florida	1	10.00%	06/09	15,821	15,821	15,821
Massachusetts	1	9.52%	06/23	—	12,350	12,025
Oklahoma	1	9.55%	03/24	2,250	11,200	10,208
Subtotals	4			20,902	43,530	41,842
Total	47			$102,672	$208,998	$185,623

(1) Most loans require monthly principal and interest payments at level amounts over life to maturity. Some loans have interest rates which periodically adjust, but cannot decrease, which results in varying principal and interest payments over life to maturity, in which case the balloon payments reflected are an estimate. Five of the loans have decreasing principal and interest payments over the life of the loans. Most loans require a prepayment penalty based on a percentage of principal outstanding or a penalty based upon a calculation maintaining the yield the Company would have earned if prepayment had not occurred. Seven loans have a provision that no prepayments are acceptable.

(2) Also represents the approximate aggregate cost for Federal income tax purposes.

The skilled nursing facility loan listed above in the state of Maryland with a carrying amount of $7,497,000 is directly with Mariner Post-Acute Network, which filed for protection under the United States bankruptcy laws on January 18, 2000. The revenues from this mortgage loan represent approximately 1% of the Company's revenues for the year ended December 31, 2000, and the mortgage loan is secured by a cash deposit in the amount of $400,000. The Company has not received any payments on this mortgage loan subsequent to March 2000, and has not recorded a reserve.

The following table summarizes the changes in mortgage loans receivable during 2000, 1999 and 1998:

	2000	1999	1998
		(In thousands)	
Balance at January 1,	$203,362	$206,613	$199,819
New mortgage loans	9,009	5,011	18,711
New discounts on mortgage loans	(263)	—	—
Accretion of discount on loans	1,801	1,217	1,214
Reclassification of loans to leases	(14,260)	(7,300)	(3,500)
Collection of principal	(14,026)	(2,179)	(9,631)
Balance at December 31,	$185,623	$203,362	$206,613

6. Bank Borrowings

The Company has a $100,000,000 unsecured credit agreement with certain banks that matures on March 31, 2003. The terms of the bank line of credit include an option to extend the bank line of credit by one year with concurrence of the bank group. At the option of the Company, borrowings under the agreement bear interest at prime (9.5% at December 31, 2000) or LIBOR plus 1.275% (7.84% at December 31, 2000). The Company pays a facility fee of .35% per annum on the total commitment under the agreement.

Under covenants contained in the credit agreement, the Company is required to maintain, among other things: (i) a minimum net worth of $475,000,000; (ii) a ratio of cash flow before interest expense and non-cash expenses to regularly scheduled debt service payments on all debt of at least 2.5 to 1.0; and (iii) a ratio of total liabilities to net worth of not more than 1.6 to 1.0; and (iv) a gross asset value coverage ratio of at least 1.45 to 1.0.

7. Notes and Bonds Payable

Notes and bonds payable are due through the year 2035, at interest rates ranging from 4.3% to 10.5% and are secured by real estate properties with an aggregate net book value as of December 31, 2000 of approximately $108,669,000. The principal balances of the notes and bonds payable as of December 31, 2000 mature approximately as follows: $1,162,000 in 2001, $1,239,000 in 2002, $1,313,000 in 2003, $1,411,000 in 2004, $1,508,000 in 2005, and $56,224,000 thereafter.

8. Senior Unsecured Notes Due 2001-2038

During 2000, the Company repaid $30,000,000 in aggregate principal amount of medium term notes. The aggregate principal amount of Senior Notes outstanding at December 31, 2000 was $627,900,000. The weighted average interest rate on the Senior Notes was 7.51% and the weighted average maturity was 10.7 years. The principal balances of the Senior Notes as of December 31, 2000 mature approximately as follows: $78,150,000 in 2001, $50,000,000 in 2002, $66,000,000 in 2003, $67,750,000 in 2004, $18,000,000 in 2005 and $348,000,000 thereafter.

There are $55,000,000 of medium term notes due in 2037 which may be put back to the Company at their face amount at the option of the holder on October 1st of any of the following years: 2004, 2007, 2009, 2012, 2017, or 2027. There are $41,500,000 of medium term notes due in 2028 which may be put back to the Company at their face amount at the option of the holder on November 20th of any of the following years: 2003, 2008, 2013, 2018, or 2023. There are $40,000,000 of medium term notes due in 2038 which may be put back to the Company at their face amount at the option of the holder on July 7th of any of the following years: 2003, 2008, 2013, 2018, 2023, or 2028.

9. Convertible Debentures

During 1993, the Company issued $65,000,000 of 6.25% unsecured convertible debentures due January 1, 1999. The debentures were convertible at any time prior to maturity into shares of the Company's common stock at a conversion price of $22.4125 per share. During 1999, $8,000 of such debentures converted into 356 shares of common stock and the remaining debentures, totaling $57,423,000, were repaid. During 1998, $7,081,000 of such debentures converted into 315,921 shares of common stock.

10. Preferred Stock

During 1997, the Company sold 1,000,000 shares of 7.677% Series A Cumulative Preferred Step-Up REIT securities (''Preferred Stock'') with a liquidation preference of $100 per share. Dividends on the Preferred Stock are cumulative from the date of original issue and are payable quarterly in arrears, commencing December 31, 1997 at the rate of 7.677% per annum of the liquidation preference per share (equivalent to $7.677 per annum per share) through September 30, 2012 and at a rate of 9.677% of the liquidation preference per annum per share (equivalent to $9.677 per annum per share) thereafter. The Preferred Stock is not redeemable prior to September 30, 2007. On or after September 30, 2007, the Preferred Stock may be redeemed for cash at the option of the Company, in whole or in part, at a redemption price of $100 per share, plus accrued and unpaid dividends, if any, thereon.

11. Stock Incentive Plan

Under the terms of a stock incentive plan (the ''Plan''), the Company has reserved for issuance 1,600,000 shares of common stock. Under the Plan, as amended, the Company may issue stock options, restricted stock, dividend equivalents and stock appreciation rights. The Company began accounting for the Plan under SFAS No. 123 *Accounting for Stock-Based Compensation* during 1999 for options granted in 1999 and thereafter. Prior to 1999, the Company accounted for the Plan under Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees*. Had compensation cost for the Plan been determined consistent with SFAS No. 123 *Accounting for Stock-Based Compensation* for the years prior to 1999, the Company's net income and net income per share in 2000, 1999 and 1998 would have been the following pro forma amounts:

	2000	1999	1998
Net income available to common stockholders:			
As reported	$63,485,000	$63,136,000	$62,071,000
Pro forma	63,387,000	62,977,000	61,840,000
Basic/diluted net income per share:			
As reported	$ 1.37	$ 1.37	$ 1.39
Pro forma	1.37	1.36	1.39

Because the pro forma calculation reflects only amounts attributable to options granted since January 1, 1995, and the Company adopted SFAS No. 123 during 1999, the pro forma affect has fully amortized at the end of 2000. A summary of the status of the Plan at December 31, 2000, 1999 and 1998 and changes during the years then ended are as follows:

	2000		1999		1998	
	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price
Options:						
Outstanding at beginning of year	404,000	$22.53	279,000	$23.42	179,000	$21.89
Granted	125,000	14.38	125,000	20.56	100,000	26.14
Exercised	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Outstanding at end of year	529,000	20.61	404,000	22.53	279,000	23.42
Exercisable at end of year	287,334	$22.70	182,327	$22.50	89,328	$21.52
Weighted average fair value of options granted	$ 0.45		$ 1.04		$ 2.69	
Restricted Stock:						
Outstanding at beginning of year	53,000		73,400		94,900	
Awarded	10,000		10,000		12,000	
Vested	(37,000)		(30,400)		(33,500)	
Forfeited	—		—		—	
Outstanding at end of year	26,000		53,000		73,400	
Weighted average fair value of restricted stock awarded	$ 14.38		$ 20.56		$ 26.12	

Stock options granted under the Plan become exercisable each year following the date of grant in annual increments of one-third and are exercisable at the market price of the Company's common stock on the date of grant. Options at December 31, 2000 have a weighted average contractual life of 7 years.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions:

	2000	1999	1998
Risk free rate of return	6.79%	5.18%	6.30%
Dividend yield	12.52%	8.75%	6.43%
Option term	10	10	10
Volatility	22.21%	18.96%	16.45%

The restricted stock awards are granted at no cost. Restricted stock awards vest at the third anniversary of the award date with respect to non-employee directors and at the fifth anniversary with respect to officers and employees. Subsequent to 1995, only non-employee directors receive restricted stock awards, and the remaining restricted stock issued to officers and employees fully vested in 2000. The restricted stock awards are amortized over their respective vesting periods. Expense is determined based upon the market value at the date of award of the restricted stock and is recognized over the vesting period. Expense recorded in 2000, 1999 and 1998 related to restricted stock awards was approximately $226,000, $325,000 and $440,000, respectively.

Awards of dividend equivalents accompany the stock option grants beginning in 1996 on a one-for-one basis. Such dividend equivalents are payable in cash until such time as the corresponding stock option is exercised, based upon a formula approved by the Compensation Committee of the Board of Directors. That formula depends on the Company's performance measured for a minimum of a three-year period and up to a five-year period by total return to stockholders (increase in stock price and dividends paid) compared to peer companies and other select financial measures compared to peer companies, in each case as selected by the Compensation Committee. SFAS No. 123 provides that payments related to the dividend equivalents are treated as dividends.

No stock appreciation rights have been issued under the Plan.

12. Pension Plan

During 1991, the Company adopted an unfunded benefit pension plan covering the current non-employee members of its Board of Directors upon completion of five years of service on the Board. The benefits, limited to the number of years of service on the Board, are based upon the then current annual retainer in effect.

The following tables set forth the amounts recognized in the Company's financial statements:

	12/31/00	12/31/99
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 882,000	$684,000
Accumulated benefit obligation	$ 908,000	$695,000
Projected benefit obligation	$ 965,000	$764,000
Unrecognized prior service cost	(19,000)	(47,000)
Unrecognized net gain	87,000	264,000
Accrued pension cost	$1,033,000	$981,000

Net pension cost for the year included the following components:

	2000	1999	1998
Current service cost	$ 48,000	$ 54,000	$ 43,000
Interest cost	59,000	53,000	61,000
Amortization of prior service cost	5,000	19,000	27,000
Net periodic pension cost	$112,000	$126,000	$131,000

Discount rates of 8.0%, 6.75% and 7.0% in 2000, 1999 and 1998, respectively, and a 5.0% increase in the annual retainer every other year, were used in determining the actuarial present value of the projected benefit obligation.

13. Transactions with Alterra Healthcare Corporation and Beverly Enterprises, Inc.

As of December 31, 2000, 53 of the owned facilities are leased to and operated by subsidiaries of Alterra Healthcare Corporation (''Alterra''). Additionally, Alterra is the borrower on 1 of the Company's mortgage loans. Revenues from Alterra were approximately $19,148,000, $19,117,000 and $17,114,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

As of December 31, 2000, 29 of the owned facilities are leased to and operated by subsidiaries of Beverly Enterprises, Inc. (''Beverly''). Additionally, Beverly is the borrower on 4 of the Company's mortgage loans. Revenues from Beverly were approximately $21,514,000, $21,211,000 and $21,161,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Effective January 1, 2000, the Company negotiated a new lease and settlement with Beverly Enterprises, Inc. (''Beverly'') that incorporated 38 of its 47 facilities then leased to Beverly, which were up for renewal at various dates from December 1998 to December 2000. As a result of the renewal and settlement, Beverly continued to lease 18 of the 38 facilities for an initial five-year lease term. The Company also returned 5 facilities to Beverly, including 2 of the 38 facilities above and 3 other facilities that Beverly had previously subleased to other operators. In addition, the Company released Beverly as a guarantor of facilities that it had previously subleased to other operators and Beverly was not required to renew the leases on the remaining 18 facilities. Beverly continued to operate 15 of the remaining 18 facilities at reduced rentals until the Company was able to lease the facilities to new operators, and continues to operate 1 of the 3 remaining facilities. The Company has decided to sell 2 of the 3 remaining facilities, for which it expects to receive approximately book value, and anticipates leasing the third for approximately the current rental. As a part of the renewal settlement, the Company recorded a note receivable from Beverly of approximately $16,208,000, net of deferred income of approximately $8,165,000 that is being recognized under the installment method. Such revenues are included in additional rent on the accompanying income statements. The promissory note bears interest at 9.0% and requires Beverly to make quarterly payments through its final maturity on December 31, 2004.

One of the directors of the Company is also an officer and director of Beverly.

14. Impairment of Long-lived Assets

During 1998, the Company recorded a provision of $5,000,000 as a reduction in the value of the Company's investment in three medical clinics constructed for and leased to a company that declared bankruptcy. The fair value of the medical clinics was determined based on discounted estimated future cash flows. During 1999, the Company disposed of two of the medical clinics and continues to look for another party to whom it may lease or sell the remaining facility.

15. Dividends

Dividend payments by the Company to the common stockholders were characterized in the following manner for tax purposes:

	2000	1999	1998
Ordinary income	$1.25	$1.30	$1.63
Capital gain	.19	.10	.05
Return of capital	.40	.40	—
Total dividends paid	$1.84	$1.80	$1.68

16. Quarterly Financial Data (unaudited)

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands except per share amounts)			
2000:				
Revenues as reported	$42,816	$42,813	$42,891	$42,876
SAB No. 101 adjustment	(395)	253	166	(24)
Restated revenue	42,421	43,066	43,057	42,852
Net income available to common stockholders	16,014	16,127	15,646	15,699
SAB No. 101 adjustment	(395)	253	166	(24)
Restated net income available to common stockholders	15,619	16,380	15,812	15,675
Basic/diluted net income per share	.35	.35	.34	.34
SAB No. 101 adjustment	(.01)	.01	—	—
Restated basic/diluted net income per share	.34	.36	.34	.34
Dividends per share	.46	.46	.46	.46
1999:				
Revenues	$39,309	$40,871	$41,525	$42,160
Net income available to common stockholders	15,811	15,305	15,775	16,246
Basic/diluted net income per share	.34	.33	.34	.35
Dividends per share	.45	.45	.45	.45

	Year to date			
	March 31,	June 30,	September 30,	December 31,
	(In thousands except per share amounts)			
2000:				
Revenues as reported	$42,816	$85,629	$128,520	$171,396
SAB No. 101 adjustment	(395)	(142)	24	—
Restated revenue	42,421	85,487	128,544	171,396
Net income available to common stockholders	16,014	32,140	47,786	63,485
SAB No. 101 adjustment	(395)	(142)	24	—
Restated net income available to common stockholders	15,619	31,998	47,810	63,485
Basic/diluted net income per share	.35	.70	1.03	1.37
SAB No. 101 adjustment	(.01)	—	—	—
Restated basic/diluted net income per share	.34	.70	1.03	1.37

17. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Mortgage Loans Receivable

Fair values are based upon the estimates of management and on rates currently prevailing for comparable loans.

Long-Term Debt

The fair value of long-term debt is estimated based on discounting future cash flows utilizing current rates offered to the Company for debt of the same type and remaining maturity.

The estimated fair values of the Company's financial instruments are as follows:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$ 6	$ 6	$ 16	$ 16
Mortgage loans receivable	186	186	203	190
Long-term debt	770	709	797	706

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Directors
of Nationwide Health Properties, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Nationwide Health Properties, Inc.'s annual report to shareholders included in this Form 10-K, and have issued our report thereon dated January 19, 2001. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the index of consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Orange County, California
January 19, 2001

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION
NATIONWIDE HEALTH PROPERTIES, INC.
December 31, 2000
(Dollar amounts in thousands)

Facility Type and Location		Initial Cost to Building and Improvements	Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period (1)			Accum. Depr.	Original Construction Date	Date Acquired
				Land (2)	Buildings and Improvements	Total			
Skilled Nursing Facilities:									
Benton	AR	$4,659	$ 4	$ 685	$ 4,663	$5,348	$ 335	1992	1998
Bryant	AR	4,889	4	320	4,893	5,213	347	1989	1998
Hot Springs	AR	2,320	—	54	2,320	2,374	956	1972	1986
Lake Village	AR	4,317	15	261	4,332	4,593	251	1997	1998
Monticello	AR	3,295	8	300	3,303	3,603	210	1993	1998
Morrilton	AR	4,995	2	308	4,997	5,305	329	1996	1998
Morrilton	AR	3,703	2	250	3,705	3,955	268	1988	1998
Wilmot	AR	787	20	240	807	1,047	193	1964	1998
Wynne (3)	AR	4,165	2	327	4,167	4,494	297	1990	1998
Scottsdale	AZ	2,790	100	650	2,890	3,540	906	1963	1991
Chowchilla	CA	1,119	—	109	1,119	1,228	371	1964	1987
Gilroy	CA	1,892	—	714	1,892	2,606	583	1968	1991
Hayward	CA	1,222	221	795	1,443	2,238	430	1968	1991
Orange	CA	5,059	—	1,141	5,059	6,200	1,065	1987	1992
Pomona	CA	1,247	—	365	1,247	1,612	535	1963	1985
San Diego	CA	4,925	—	842	4,925	5,767	1,327	1965	1992
San Jose	CA	1,136	571	1,595	1,707	3,302	488	1968	1991
Santa Cruz	CA	1,596	440	1,492	2,036	3,528	598	1964	1991
Bloomfield	CT	2,827	—	670	2,827	3,497	589	1967	1994
Torrington	CT	2,555	—	140	2,555	2,695	894	1969	1987
Dania	FL	1,962	954	178	2,916	3,094	439	1970	1997
Ft. Pierce	FL	2,758	280	125	3,038	3,163	1,238	1965	1985
Jacksonville	FL	2,787	—	498	2,787	3,285	410	1965	1996
Jacksonville	FL	1,759	—	1,503	1,759	3,262	158	1997	1997
Lakeland	FL	5,029	—	1,000	5,029	6,029	1,048	1982	1994
Live Oak	FL	3,217	1,750	50	4,967	5,017	1,442	1983	1986
Maitland	FL	3,327	—	209	3,327	3,536	1,370	1983	1986
Pensacola	FL	1,833	—	77	1,833	1,910	619	1969	1987
Flowery Branch	GA	3,115	665	562	3,780	4,342	185	1970	1997
Lawrenceville	GA	3,993	2,549	801	6,542	7,343	1,335	1988	1991
Buhl	ID	777	—	15	777	792	272	1913	1986
Lasalle	IL	2,703	—	127	2,703	2,830	848	1975	1991
Litchfield	IL	2,689	—	30	2,689	2,719	844	1972	1991
Brookville	IN	4,120	—	80	4,120	4,200	841	1987	1992
Evansville	IN	5,324	—	280	5,324	5,604	1,671	1968	1991
New Castle	IN	5,173	—	43	5,173	5,216	1,624	1972	1991
Petersburg	IN	2,352	—	33	2,352	2,385	969	1968	1986
Richmond	IN	2,519	—	114	2,519	2,633	1,038	1974	1986
Rochester	IN	4,055	250	161	4,305	4,466	1,320	1969	1991
Wabash	IN	2,790	—	40	2,790	2,830	876	1974	1991
Belleville	KS	1,887	—	213	1,887	2,100	487	1977	1993
Colby	KS	599	117	50	716	766	236	1974	1986
Derby	KS	2,482	—	133	2,482	2,615	724	1978	1992
Hiawatha	KS	788	35	150	823	973	51	1974	1998
Hutchinson	KS	1,855	161	75	2,016	2,091	456	1964	1994
Kensington	KS	639	63	6	702	708	361	1965	1986
Onaga	KS	652	88	6	740	746	286	1959	1986
Salina	KS	2,463	135	27	2,598	2,625	592	1981	1994
Topeka	KS	1,137	58	100	1,195	1,295	73	1973	1998
Amesbury	MA	4,241	607	229	4,848	5,077	538	1971	1997

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				Land (2)	Buildings and Improvements	Total			
Skilled Nursing Facilities (continued):									
Beverly	MA	$,3,748	$ 92	$ 392	$3,840	$4,232	$ 192	1998	1998
Brighton	MA	2,212	—	300	2,212	2,512	1,134	1969	1994
Brockton	MA	3,591	16	525	3,607	4,132	862	1971	1993
Buzzards Bay	MA	4,815	144	415	4,959	5,374	2092	1911	1985
Danvers	MA	4,248	143	392	4,391	4,783	217	1998	1998
Danvers	MA	3,211	1,144	327	4,355	4,682	460	1962	1997
Danvers	MA	2,891	487	305	3,378	3,683	381	1969	1997
Haverhill	MA	5,707	1,764	660	7,471	8,131	1,441	1973	1993
Haverhill	MA	1,414	3	775	1,417	2,192	338	1962	1993
Melrose	MA	4,029	531	432	4,560	4,992	358	1965	1998
N. Bellerica	MA	3,137	300	800	3,437	4,237	751	1969	1994
New Bedford	MA	2,357	52	93	2,409	2,502	1,021	1889	1985
Northborough	MA	2,509	451	300	2,960	3,260	196	1969	1998
Saugus	MA	5,262	514	374	5,776	6,150	644	1967	1997
Sharon	MA	1,097	4,369	844	5,466	6,310	286	1975	1996
Wellesley	MA	2,435	83	325	2,518	2,843	1,060	1962	1985
Clinton	MD	5,017	—	400	5,017	5,417	1,714	1965	1987
Cumberland	MD	5,260	—	150	5,260	5,410	2,255	1968	1985
Hagerstown	MD	4,140	176	215	4,316	4,531	1,810	1972	1985
Westminster	MD	6,795	—	80	6,795	6,875	2,913	1974	1985
Duluth	MN	7,047	—	1,014	7,047	8,061	763	1971	1997
Faribault	MN	2,785	116	90	2,901	2,991	1,497	1967	1985
Minneapolis	MN	5,752	284	333	6,036	6,369	2,777	1973	1985
Minneapolis	MN	4,184	—	436	4,184	4,620	1,951	1961	1985
Ostrander	MN	947	47	8	994	1,002	354	1968	1986
Owatonna	MN	2,140	107	59	2,247	2,306	785	1965	1986
Willmar	MN	2,582	188	33	2,770	2,803	1,188	1905	1985
Maryville	MO	2,689	—	51	2,689	2,740	1,153	1979	1985
Columbus	MS	3,520	75	750	3,595	4,345	231	1976	1998
Hendersonville	NC	2,244	—	116	2,244	2,360	962	1978	1985
Lakewood	NJ	6,448	—	360	6,448	6,808	4,176	1966	1987
Sparks	NV	3,294	—	740	3,294	4,034	762	1988	1991
Alliance	OH	1,862	—	83	1,862	1,945	584	1962	1991
Boardman	OH	7,046	—	60	7,046	7,106	2211	1962	1991
Columbus	OH	4,333	—	343	4,333	4,676	1,552	1984	1988
Galion	OH	3,419	—	24	3,419	3,443	1,073	1967	1991
Warren	OH	7,489	—	450	7,489	7,939	2,350	1967	1991
Wash Ct House	OH	4,086	—	356	4,086	4,442	1,501	1984	1988
Maud	OK	803	—	12	803	815	283	1960	1986
Sapulpa	OK	2,243	—	68	2,243	2,311	785	1970	1986
Tonkawa	OK	795	—	18	795	813	354	1962	1987
Portland	OR	1,115	—	100	1,115	1,215	534	1954	1985
Brownsville	TN	2,957	—	100	2,957	3,057	706	1970	1993
Celina	TN	853	—	150	853	1,003	204	1972	1993
Clarksville	TN	3,479	—	350	3,479	3,829	831	1970	1993
Columbia	TN	2,240	—	225	2,240	2,465	459	1984	1993
Decatur	TN	3,330	—	193	3,330	3,523	238	1981	1998
Hohenwald	TN	3,732	—	90	3,732	3,822	892	1975	1993
Jonesborough	TN	2,551	3	65	2,554	2,619	610	1981	1993

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Skilled Nursing Facilities (continued):									
Madison	TN	$ 6,415	$ —	$ 1,120	$ 6,415	$ 7,535	$ 412	1967	1998
Martin	TN	4,121	—	33	4,121	4,154	985	1977	1993
Selmer	TN	2,263	1,208	28	3,471	3,499	643	1985	1993
Baytown	TX	2,388	—	90	2,388	2,478	612	1975	1990
Baytown	TX	1,902	—	61	1,902	1,963	487	1966	1990
Bogota	TX	1,820	—	14	1,820	1,834	750	1963	1986
Center	TX	1,424	—	22	1,424	1,446	365	1970	1990
Eagle Lake	TX	1,833	—	25	1,833	1,858	470	1972	1990
El Paso	TX	1,888	—	166	1,888	2,054	665	1980	1988
Garland	TX	1,619	—	238	1,619	1,857	415	1970	1990
Gilmer	TX	3,033	1,785	248	4,818	5,066	225	1990	1998
Gladewater	TX	2,018	—	125	2,018	2,143	510	1971	1993
Houston	TX	4,155	—	408	4,155	4,563	1,062	1986	1993
Humble	TX	1,821	—	140	1,821	1,961	467	1973	1990
Huntsville	TX	1,930	—	135	1,930	2,065	494	1968	1990
Linden	TX	2,520	—	25	2,520	2,545	637	1968	1993
Marshall	TX	865	—	19	865	884	445	1964	1986
McKinney	TX	4,797	—	1,263	4,797	6,060	133	1967	2000
McKinney	TX	1,456	—	1,318	1,456	2,774	500	1967	1987
Mount Pleasant	TX	2,505	—	40	2,505	2,545	633	1970	1993
Nacogdoches	TX	1,104	—	135	1,104	1,239	283	1973	1990
New Boston	TX	2,366	—	44	2,366	2,410	598	1966	1993
Omaha	TX	1,579	—	28	1,579	1,607	399	1970	1993
San Antonio	TX	2,033	—	32	2,033	2,065	521	1963	1990
San Antonio	TX	1,636	—	221	1,636	1,857	419	1965	1990
Sherman	TX	2,075	—	67	2,075	2,142	525	1971	1993
Texarkana	TX	1,244	—	87	1,244	1,331	512	1983	1986
Waxahachie	TX	3,493	—	319	3,493	3,812	1,172	1976	1987
Annandale	VA	7,752	—	487	7,752	8,239	3,324	1961	1985
Charlottesville	VA	4,620	—	362	4,620	4,982	1,981	1966	1985
Petersburg	VA	2,945	—	94	2,945	3,039	1,262	1977	1985
Petersburg	VA	2,215	—	93	2,215	2,308	949	1973	1985
Battleground	WA	2,226	—	84	2,226	2,310	779	1963	1986
Kennewick	WA	4,459	—	297	4,459	4,756	495	1959	1997
Moses Lake	WA	4,307	1,326	304	5,633	5,937	909	1972	1994
Moses Lake	WA	2,385	—	164	2,385	2,549	503	1988	1994
Seattle	WA	5,752	—	1,223	5,752	6,975	935	1993	1994
Shelton	WA	4,382	—	326	4,382	4,708	228	1998	1998
Tacoma	WA	1,503	64	575	1,567	2,142	872	1939	1987
Chilton	WI	2,275	148	55	2,423	2,478	967	1963	1986
Florence	WI	1,529	—	15	1,529	1,544	630	1970	1986
Green Bay	WI	2,255	—	300	2,255	2,555	929	1968	1986
Sheboygan	WI	1,697	—	219	1,697	1,916	695	1968	1986
Shorewood	WI	5,744	368	706	6,112	6,818	2,426	1971	1986
St. Francis	WI	535	—	80	535	615	219	1964	1986
Tomah	WI	1,745	128	115	1,873	1,988	774	1974	1985
Wisconsin Dells	WI	1,697	—	81	1,697	1,778	695	1972	1986
		434,689	25,217	44,985	459,906	504,891	120,125		

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Assisted Living Facilities:									
Decatur	AL	$ 1,825	$ —	$1,484	$ 1,825	$ 3,309	$ 222	1987	1996
Hanceville	AL	2,447	—	197	2,447	2,644	265	1996	1996
Benton	AR	1,479	489	182	1,968	2,150	109	1988	1998
Chandler	AZ	2,753	—	505	2,753	3,258	166	1998	1998
Mesa	AZ	1,391	2,700	519	4,091	4,610	603	1985	1996
Carmichael	CA	7,929	755	1,500	8,684	10,184	1,590	1983	1995
Chula Vista	CA	6,281	72	950	6,353	7,303	932	1989	1995
Encinitas	CA	5,017	126	1,000	5,143	6,143	879	1984	1995
Mission Viejo	CA	3,544	89	900	3,633	4,533	578	1985	1995
Novato	CA	3,658	403	2,500	4,061	6,561	685	1978	1995
Placentia	CA	3,801	184	1,320	3,985	5,305	721	1983	1995
Rancho Cucamonga	CA	4,156	269	610	4,425	5,035	692	1987	1995
San Dimas	CA	3,577	225	1,700	3,802	5,502	633	1975	1995
San Jose	CA	7,252	—	850	7,252	8,102	499	1998	1998
San Juan Capistrano	CA	6,344	235	700	6,579	7,279	934	1985	1995
San Juan Capistrano	CA	3,834	172	1,225	4,006	5,231	637	1985	1995
Santa Maria	CA	2,649	118	1,500	2,767	4,267	473	1977	1995
Vista	CA	3,701	82	350	3,783	4,133	613	1980	1996
Aurora	CO	10,119	—	715	10,119	10,834	443	1999	1999
Aurora	CO	7,923	—	919	7,923	8,842	1,320	1983	1995
Boulder	CO	4,811	—	833	4,811	5,644	601	1985	1995
Boulder	CO	4,738	—	184	4,738	4,922	677	1992	1995
Brighton	CO	2,158	—	210	2,158	2,368	189	1997	1997
Lakewood	CO	12,401	—	604	12,401	13,005	308	2000	2000
Hockessin	DE	4,956	—	345	4,956	5,301	217	1999	1999
Gainesville	FL	2,699	—	356	2,699	3,055	231	1997	1997
Gainsville	FL	3,313	—	310	3,313	3,623	166	1998	1998
Hudson	FL	8,139	550	1,665	8,689	10,354	1,176	1987	1996
Jacksonville	FL	2,770	—	226	2,770	2,996	225	1997	1997
Jacksonville	FL	2,376	—	366	2,376	2,742	223	1997	1997
LeHigh Acres	FL	2,600	—	307	2,600	2,907	206	1997	1997
Naples	FL	10,797	—	1,140	10,797	11,937	495	1999	1999
Naples	FL	4,084	—	1,182	4,084	5,266	349	1997	1997
Palm Coast	FL	2,580	—	406	2,580	2,986	193	1997	1997
Panama City	FL	2,659	—	353	2,659	3,012	161	1998	1998
Pensacola	FL	5,626	—	408	5,626	6,034	193	1999	1999
Pensacola	FL	1,580	400	170	1,980	2,150	353	1979	1996
Port Charlotte	FL	2,655	—	245	2,655	2,900	221	1997	1997
Punta Gorda	FL	2,691	—	210	2,691	2,901	230	1997	1997
Rotunda	FL	2,628	—	267	2,628	2,895	197	1997	1997
St. Petersburg	FL	2,396	985	2,000	3,381	5,381	413	1993	1995
Tallahassee	FL	9,084	—	696	9,084	9,780	290	1999	1999
Travares	FL	2,466	—	156	2,466	2,622	226	1997	1997
Titusville	FL	4,706	—	1,742	4,706	6,448	67	1987	2000
Venice	FL	2,535	—	376	2,535	2,911	201	1997	1997
Boise	ID	5,586	5,670	544	11,256	11,800	1,259	1978	1995
Oak Park	IL	10,473	—	603	10,473	11,076	1,047	1993	1997
Carmel	IN	3,861	—	805	3,861	4,666	257	1998	1998

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Assisted Living Facilities (continued):									
Lawrence	KS	$3,822	$ —	$ 932	$3,822	$ 4,754	$ 255	1995	1998
Salina	KS	2,887	—	329	2,887	3,216	220	1989	1998
Salina	KS	1,921	—	200	1,921	2,121	180	1996	1997
Topeka	KS	2,955	—	424	2,955	3,379	263	1986	1998
Murray	KY	2,547	—	110	2,547	2,657	200	1998	1998
Mandeville	LA	6,553	—	831	6,553	7,384	191	1999	1999
Pittsfield	MA	9,052	197	1,758	9,249	11,007	573	1998	1998
Hagerstown	MD	3,785	844	533	4,629	5,162	155	1999	1999
Riverview	MI	6,939	67	300	7,006	7,306	1,161	1987	1995
Hickory	NC	2,531	—	385	2,531	2,916	174	1997	1998
Deptford	NJ	3,430	—	655	3,430	4,085	193	1998	1998
Sparks (4)	NV	7,278	—	714	7,278	7,992	546	1993	1997
Sparks (5)	NV	5,119	—	505	5,119	5,624	439	1991	1997
Dayton	OH	1,916	—	270	1,916	2,186	148	1997	1997
Dublin	OH	5,793	9	356	5,802	6,158	351	1998	1998
Fairfield	OH	1,917	—	270	1,917	2,187	164	1997	1997
Greenville	OH	2,311	—	215	2,311	2,526	197	1997	1997
Hillard	OH	7,056	1,387	652	8,443	9,095	311	1999	1999
Lancaster	OH	2,084	—	350	2,084	2,434	122	1998	1998
Newark	OH	2,047	—	225	2,047	2,272	179	1997	1997
Sharonville	OH	4,013	37	225	4,050	4,275	671	1987	1995
Springdale	OH	2,092	—	440	2,092	2,532	170	1997	1997
Urbana	OH	2,118	—	150	2,118	2,268	168	1997	1997
Youngstown	OH	2,191	—	470	2,191	2,661	123	1998	1998
Broken Arrow	OK	1,445	—	178	1,445	1,623	144	1996	1997
Oklahoma City	OK	3,897	482	392	4,379	4,771	952	1982	1994
Oklahoma City	OK	1,531	—	175	1,531	1,706	153	1996	1997
Albany	OR	3,657	4,531	511	8,188	8,699	1,142	1968	1995
Albany (6)	OR	2,465	—	92	2,465	2,557	411	1984	1995
Forest Grove (7)	OR	3,152	—	401	3,152	3,553	450	1994	1995
Gresham	OR	4,647	—	—	4,647	4,647	664	1988	1995
McMinnville (8)	OR	3,976	—	760	3,976	4,736	497	1989	1995
Medford	OR	4,325	—	314	4,325	4,639	541	1990	1995
Bridgeville	PA	8,023	1,077	653	9,100	9,753	368	1999	1999
York	PA	3,790	672	413	4,462	4,875	203	1999	1999
East Greenwich	RI	8,277	—	1,200	8,277	9,477	206	2000	2000
Lincoln	RI	9,612	—	477	9,612	10,089	160	2000	2000
Portsmouth	RI	9,154	—	1,200	9,154	10,354	284	1999	1999
Clinton	SC	2,560	—	87	2,560	2,647	144	1997	1998
Columbia	SC	2,664	1	210	2,665	2,875	183	1997	1998
Greenwood	SC	2,648	—	107	2,648	2,755	149	1998	1998
Greer	SC	2,389	—	375	2,389	2,764	139	1998	1998
Brentwood	TN	2,302	—	600	2,302	2,902	321	1995	1995
Bristol	TN	4,130	807	406	4,937	5,343	210	1999	1999
Germantown	TN	4,623	9	755	4,632	5,387	270	1998	1998
Johnson City	TN	4,289	687	404	4,976	5,380	177	1999	1999
Murfreesboro	TN	4,240	783	499	5,023	5,522	201	1999	1999
Corsicana	TX	1,494	—	117	1,494	1,611	153	1996	1996
Dallas	TX	3,500	718	308	4,218	4,526	906	1982	1994
Denton	TX	1,425	—	185	1,425	1,610	145	1996	1996

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Assisted Living Facilities (continued):									
Ennis	TX	$ 1,409	$ —	$ 119	$ 1,409	$ 1,528	$ 144	1996	1996
Houston	TX	8,945	—	985	8,945	9,930	391	1999	1999
Houston	TX	7,184	—	1,089	7,184	8,273	299	1999	1999
Houston	TX	7,194	—	1,235	7,194	8,429	450	1998	1998
Houston	TX	7,052	—	1,089	7,052	8,141	309	1999	1999
Lakeway	TX	10,542	—	579	10,542	11,121	505	1999	1999
Lewisville	TX	1,892	—	260	1,892	2,152	169	1997	1997
Mansfield	TX	1,575	—	225	1,575	1,800	157	1996	1997
Paris	TX	1,465	—	166	1,465	1,631	150	1996	1996
Pearland	TX	7,892	—	493	7,892	8,385	493	1998	1998
Richland Hills	TX	2,211	252	65	2,463	2,528	123	1998	1998
Richland Hills	TX	1,616	—	223	1,616	1,839	162	1996	1997
Weatherford	TX	1,596	—	145	1,596	1,741	146	1996	1997
Martinsville	VA	3,049	—	1,001	3,049	4,050	38	2000	2000
Midlothian	VA	8,269	—	650	8,269	8,919	157	2000	2000
Bellevue	WA	4,467	—	766	4,467	5,233	270	1998	1998
Richland	WA	6,052	119	172	6,171	6,343	876	1990	1995
Tacoma	WA	5,208	—	403	5,208	5,611	456	1997	1997
Yakima	WA	5,248	—	500	5,248	5,748	384	1998	1998
Menomonee Falls (9)	WI	13,190	—	4,161	13,190	17,351	1,225	1990	1997
West Allis (10)	WI	8,117	2,911	682	11,028	11,710	839	1996	1997
Hurricane	WV	4,475	830	705	5,305	6,010	152	1999	1999
		532,268	29,944	74,166	562,212	636,378	47,587		
CCRCs:									
Palm Desert	CA	9,097	1,730	1,600	10,827	12,427	1,689	1989	1994
Sterling	CO	2,715	—	400	2,715	3,115	611	1979	1994
Lawrenceville	GA	10,769	—	723	10,769	11,492	564	1988	1998
Andover (11)	KS	12,517	—	687	12,517	13,204	1,187	1987	1997
Norton	MA	8,272	4,669	1,351	12,941	14,292	853	1968	1996
Trenton	TN	3,004	—	174	3,004	3,178	25	1974	2000
College Station	TX	6,008	125	833	6,133	6,966	723	1994	1998
Corpus Christi	TX	14,929	13,593	1,848	28,522	30,370	2,331	1985	1997
Glendale (12)	WI	22,905	—	3,824	22,905	26,729	2,051	1988	1997
Waukesha (13)	WI	28,562	1,827	7,233	30,389	37,622	3,074	1973	1997
		118,778	21,944	18,673	140,722	159,395	13,108		
RCFE's:									
Murrietta	CA	144	—	35	144	179	47	1990	1998
Murrietta	CA	118	—	28	118	146	8	1990	1998
		262	—	63	262	325	55		
Rehab:									
Scottsdale	AZ	5,874	—	242	5,874	6,116	1,848	1986	1988
Tucson	AZ	9,435	—	1,275	9,435	10,710	2,015	1992	1992
		15,309	—	1,517	15,309	16,826	3,863		
Clinic:									
Heflin	AL	2,100	85	248	2,185	2,433	1,451	1997	1997

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Land:									
Florence	KY	$ —	$ —	$ 578	$ —	$ 578	$ —		
Derry	NH	98	—	638	98	736	—		
Akron	OH	1,506	—	253	1,506	1,759	16		
Bastrop	TX	210	—	600	210	810	1		
		1,814	—	2,069	1,814	3,883	17		
Construction in Progress		8,478	—	1,000	8,478	9,478	—		
GRAND TOTAL		$1,113,698	$77,190	$142,721	$1,190,888	$1,333,609	$186,206		

(1) Also represents the approximate cost for Federal income tax purposes.

(2) Gross amount at which land is carried at close of period also represents initial cost to the Company.

(3) Real estate is security for notes payable in the aggregate of $2,185,000 at 12/31/00.

(4) Real estate is security for notes payable in the aggregate of $3,085,000 at 12/31/00.

(5) Real estate is security for notes payable in the aggregate of $3,545,000 at 12/31/00.

(6) Real estate is security for notes payable in the aggregate of $2,053,000 at 12/31/00.

(7) Real estate is security for notes payable in the aggregate of $3,305,000 at 12/31/00.

(8) Real estate is security for notes payable in the aggregate of $3,485,000 at 12/31/00.

(9) Real estate is security for notes payable in the aggregate of $10,418,000 at 12/31/00.

(10) Real estate is security for notes payable in the aggregate of $8,103,000 at 12/31/00.

(11) Real estate is security for notes payable in the aggregate of $2,500,000 at 12/31/00.

(12) Real estate is security for notes payable in the aggregate of $12,898,000 at 12/31/00.

(13) Real estate is security for notes payable in the aggregate of $11,280,000 at 12/31/00.

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION
NATIONWIDE HEALTH PROPERTIES, INC.
December 31, 2000
(Dollar amounts in thousands)

	Real Estate Properties	Accumulated Depreciation
	(in thousands)	
Balances at December 31, 1997:	$ 960,531	$107,077
Acquisitions	261,702	26,193
Improvements	26,800	1,016
Reclassifications	3,500	—
Impairment of long-lived assets	(5,000)	—
Sales	(4,145)	(970)
Balances at December 31, 1998:	1,243,388	133,316
Acquisitions	99,572	33,876
Improvements	11,100	1,381
Reclassifications	7,300	—
Sales	(29,987)	(5,902)
Balances at December 31, 1999:	1,331,373	162,671
Acquisitions	21,547	33,293
Improvements	15,114	2,364
Reclassifications	10,851	—
Sales	(45,276)	(12,122)
Balances at December 31, 2000:	$1,333,609	$186,206

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

Incorporated herein by reference to the information under the caption ‘‘Election of Directors’’ in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2001, filed or to be filed pursuant to Regulation 14A.

Item 11. Executive Compensation.

Incorporated herein by reference to the information under the caption ‘‘Executive Compensation’’ in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2001, filed or to be filed pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Incorporated herein by reference to the information under the caption ‘‘Stock Ownership’’ in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2001, filed or to be filed pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions.

Incorporated herein by reference to the information under the captions ‘‘Certain Relationships and Related Transactions’’ and ‘‘Compensation Committee Interlocks and Insider Participation’’ in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on April 20, 2001, filed or to be filed pursuant to Regulation 14A.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a)(1) *Financial Statements.*

(2) *Financial Statement Schedules*

(b) *Reports on Form 8-K*

A form 8-K dated December 14, 2000 was filed with respect to the default under two master leases by Balanced Care Corporation (‘‘Balanced Care’’). The filing stated that Balanced Care proposed certain rent concessions, but the Company was unwilling to accept any rent concessions and would proceed with all available legal remedies.

(c) *Exhibits*

Exhibit No.	Description
2.	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
2.1	Agreement to Merge, dated August 19, 1997, among the Company, Laureate Investments, Inc. and Laureate Properties, Inc., filed as Exhibit 2.1 to the Company's Form 8-K dated October 7, 1997, and incorporated herein by this reference.
3.	Articles of Incorporation and Bylaws
3.1(a)	Restated Articles of Incorporation, filed as Exhibit 3.1 to the Company's Registration Statement on Form S-11 (No. 33-1128), effective December 19, 1985, and incorporated herein by this reference.
3.1(b)	Articles of Amendment of Amended and Restated Articles of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Form 10-Q for the quarter ended March 31, 1989, and incorporated herein by this reference.
3.1(c)	Articles of Amendment of Amended and Restated Articles of Incorporation of the Company, filed as Exhibit 3.1(c) to the Company's Registration Statement on Form S-11 (No. 33-32251), effective January 23, 1990, and incorporated herein by this reference.
3.1(d)	Articles of Amendment of Amended and Restated Articles of Incorporation of the Company, filed as Exhibit 3.1(d) to the Company's Form 10-K for the year ended December 31, 1994, and incorporated herein by this reference.
3.1(e)	Articles Supplementary to the Registrant's Amended and Restated Articles of Incorporation, dated September 24, 1997, filed as Exhibit 3.1 to the Company's Form 8-K dated September 24, 1997, and incorporated herein by this reference.
3.2	Bylaws of the Company as amended January 19, 1996, filed as Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 1995, and incorporated herein by this reference.
3.3	Amended and Restated Bylaws of the Company, filed as Exhibit 3.1 to the Company's Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by this reference.
4.	Instruments Defining Rights of Security Holders, Including Indentures
4.1	Indenture dated as of November 16, 1992, between Nationwide Health Properties, Inc., Issuer to The Chase Manhattan Bank (National Association), Trustee, filed as Exhibit 4.1 to the Company's Form S-3 (No. 33-54870) dated November 24, 1992, and incorporated herein by this reference.
4.2	Indenture dated as of June 30, 1993, between the Company and First Interstate Bank of California, as Trustee, filed as Exhibit 4.2 to the Company's Registration Statement on Form S-3 (No. 33-64798), effective July 12, 1993, and incorporated herein by this reference.
4.3	First Supplemental Indenture dated November 15, 1993, between the Company and First Interstate Bank of California, as Trustee, filed as Exhibit 4.1 to the Company's Form 8-K dated November 15, 1993, and incorporated by reference herein.
4.4	Indenture dated as of January 12, 1996, between the Company and The Bank of New York, as Trustee, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No 33-65423) dated December 27, 1995, and incorporated herein by this reference.
4.5	Indenture dated as of January 13, 1999, between the Company and Chase Manhattan Bank and Trust Company, National Association, as Trustee, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-70707) dated January 15, 1999, and incorporated herein by this reference.
10.	Material Contracts
10.1	Master Lease Document—General Terms and Conditions dated December 30, 1985, for Leases between various subsidiaries of Beverly as Lessees and the Company as Lessor, filed as Exhibit 10.3 to the Company's Form 10-K for the year ended December 31, 1985, and incorporated herein by this reference.

Exhibit No.	Description
10.2	1989 Stock Option Plan of the Company as Amended and Restated January 19, 1996, filed as Exhibit 10.6 to the Company's 10-K for the year ended December 31, 1996, and incorporated herein by this reference.
10.2(a)	Amended Stock Option Plan filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by this reference.
10.3	The Company's Retirement Plan for Directors effective July 26, 1991 filed as Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1991, and incorporated herein by this reference.
10.4	Deferred Compensation Plan of the Company effective September 1, 1991 filed as Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 1991, and incorporated herein by this reference.
10.5	Commercial and Multi-family Mortgage Loan Sale Agreement dated as of June 5, 1992 by and between Resolution Trust Corporation, as Receiver, and Nationwide Health Properties, Inc. filed as Exhibit A to the Company's Form 8-K dated May 29, 1992, and incorporated herein by this reference.
10.6	Amended and Restated Credit Agreement dated as of July 27, 1999 between the Company and Wells Fargo Bank National Association, Bank of America, N.A., The Bank of New York and KBC Bank N.V. filed as Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1999, and incorporated herein by this reference.
10.7	Amendment Number One to Amended and Restated Credit Agreement dated as of May 15, 2000 filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by this reference.
10.8	Form of Indemnity Agreement between officers and directors of the Company including John C. Argue, David R. Banks, Sam A. Brooks, Jr., William K. Doyle, Charles D. Miller and Jack D. Samuelson, R. Bruce Andrews, Mark L. Desmond, Stephen J. Insoft, Don M. Pearson, Gary E. Stark, and T. Andrew Stokes, and John J. Sheehan, Jr., filed as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1995, and incorporated herein by this reference.
10.9	Executive Employment Security Policy, filed as Exhibit 10.12 to the Company's Form 10-K for the year ended December 31, 1995, and incorporated herein by this reference.
10.10	Employment agreement entered into by and between Nationwide Health Properties, Inc. and R. Bruce Andrews dated as of February 25, 1998, filed as Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1998, and incorporated herein by this reference.
10.11	Employment agreement entered into by and between Nationwide Health Properties, Inc. and T. Andrew Stokes dated as of February 25, 1998, filed as Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 1998 and incorporate herein by this reference.
10.11(a)	First Amendment to Employment Agreement of T. Andrew Stokes dated as of January 19, 2001.
10.12	Employment agreement entered into by and between Nationwide Health Properties, Inc. and Mark L. Desmond dated as of February 25, 1998, filed as Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 1998, and incorporated herein by this reference.
10.12(a)	First Amendment to Employment Agreement of Mark L. Desmond dated as of January 19, 2001.
10.13	Settlement and Amendment Agreement between Beverly Health and Rehabilitation Services, Inc. and the Company effective as of January 1, 2000.
21.	Subsidiaries of the Company
23.	Consents of Experts and Counsel
23.1	Consent of Arthur Andersen LLP

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONWIDE HEALTH PROPERTIES, INC.

By: /s/ R. BRUCE ANDREWS

R. Bruce Andrews
President and Chief Executive Officer

Dated: March 22, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CHARLES D. MILLER Charles D. Miller	Chairman and Director	March 22, 2001
/s/ R. BRUCE ANDREWS R. Bruce Andrews	President, Chief Executive Officer and Director (Principal Executive Officer)	March 22, 2001
/s/ MARK L. DESMOND Mark L. Desmond	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 22, 2001
/s/ JOHN C. ARGUE John C. Argue	Director	March 22, 2001
/s/ DAVID R. BANKS David R. Banks	Director	March 22, 2001
/s/ WILLIAM K. DOYLE William K. Doyle	Director	March 22, 2001
/s/ JACK D. SAMUELSON Jack D. Samuelson	Director	March 22, 2001

APPENDIX 1

BEVERLY ENTERPRISES, INC.

SET FORTH BELOW IS CERTAIN CONDENSED FINANCIAL DATA OF BEVERLY ENTERPRISES, INC. ("BEVERLY") WHICH IS TAKEN FROM BEVERLY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1999 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND THE BEVERLY QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2000 AS FILED WITH THE COMMISSION.

The information and financial data contained herein concerning Beverly was obtained and has been condensed from Beverly's public filings under the Exchange Act. The Beverly financial data presented includes only the most recent interim and fiscal year end reporting periods. The Company can make no representation as to the accuracy and completeness of Beverly's public filings but has no reason not to believe the accuracy and completeness of such filings. It should be noted that Beverly has no duty, contractual or otherwise, to advise the Company of any events subsequent to such dates which might affect the significance or accuracy of such information.

Beverly is subject to the information filing requirements of the Exchange Act, and in accordance therewith, is obligated to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Such reports, proxy statements and other information may be inspected at the offices of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and should also be available at the following Regional Offices of the Commission: 7 World Trade Center, New York, N.Y. 10048, and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Such reports and other information concerning Beverly can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, Room 1102, New York, New York 10005.

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2000	December 31, 1999
Total current assets	$ 488,661	$ 493,796
Property and equipment, net	1,082,763	1,110,065
Total other assets	372,439	379,019
Total assets	$1,943,863	$1,982,880
Total current liabilities	$ 385,148	$ 388,054
Long-term debt	718,008	746,164
Other liabilities and deferred items	210,074	207,538
Total stockholders' equity	630,633	641,124
Total liabilities and stockholders' equity	$1,943,863	$1,982,880

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

	Nine months ended September 30, 2000	Years ended December 31, 1999	1998
Revenues	$1,968,704	$2,551,007	$2,822,940
Costs and expenses:			
Operating and administrative	1,838,696	2,354,328	2,633,135
Interest	59,942	72,578	65,938
Depreciation and amortization	75,171	99,160	93,722
Workforce reductions, asset impairments, transaction costs and other unusual items	4,627	23,818	69,443
Year 2000 remediation	—	12,402	9,719
Investigation costs	—	202,447	1,865
	1,978,436	2,764,733	2,873,822
Income (loss) before provision for income taxes and extraordinary charge	(9,732)	(213,726)	(50,882)
Provision for (benefit from) income taxes	(2,044)	(79,079)	(25,936)
Income (loss) before extraordinary charge and cumulative effect of change in accounting	(7,688)	(134,647)	(24,946)
Extraordinary charge, net of income taxes	—	—	(1,660)
Cumulative effect of change in accounting, net of income taxes			(4,415)
Net income (loss)	$ (7,688)	$ (134,647)	$ (31,021)
Income (loss) per share of common stock:			
Basic and diluted:			
Before extraordinary charge and cumulative effect of change in accounting	$ (.08)	$ (1.31)	$ (.24)
Extraordinary charge	—	—	(.02)
Cumulative effect of change in accounting	—	—	(.04)
Net income per share	$ (.08)	$ (1.31)	$ (.30)
Shares used to compute per share amounts	102,027	102,491	103,762

BEVERLY ENTERPRISES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine months Ended September 30, 2000	Years ended December 31, 1999	1998
Cash flows from operating activities:			
Net income (loss)	$ (7,688)	$(134,647)	$ (31,021)
Adjustments to reconcile net income to net cash provided by operating activities	42,829	323,788	37,810
Net cash provided by operating activities	35,141	189,141	6,789
Net cash provided by (used for) investing activities	(40,961)	(71,537)	(230,586)
Net cash provided by (used for) financing activities	(4,418)	(110,230)	135,845
Net increase (decrease) in cash and cash equivalents	(10,238)	7,374	(87,952)
Cash and cash equivalents at beginning of period	24,652	17,278	105,230
Cash and cash equivalents at end of period	$14,414	$ 24,652	$ 17,278