SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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WILSHIRE REAL ESTATE INVESTMENT TRUST INC

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SIC: **6798** Real estate investment trusts

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark one)

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

For the quarterly period ended March 31, 1999

OR

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

Commission File No. 0-23911

Wilshire Real Estate Investment Trust Inc.
(Exact name of registrant as specified in its charter)

Maryland	52-2081138
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1776 SW Madison Street
Portland, OR 97205
(Address of principal executive offices) (Zip Code)

(503) 223-5600
(Registrant's telephone number, including area code)

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 |X| No |_|.

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1999
Common Stock, par value $0.0001 per share	11,500,000

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.

FORM 10-Q/A

I N D E X

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PART I -- FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except share data)

<TABLE>
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<S>	March 31, 1999 <C>	December 31, 1998 <C>
Assets	(Unaudited)	
Cash and cash equivalents	$ 1,364	$ 4,782
Securities available for sale, at fair value	157,865	158,738
Loans held for sale, net	47,955	44,006
Loans, net	30,668	69,124
Discounted loans, net	1,946	2,498
Investments in real estate, net	79,640	85,005
Due from affiliate	8,798	12,352
Debtor-in-possession financing to WFSG	5,000	--
Accrued interest receivable	1,532	1,939
Prepaid servicing fees to WCC	3,070	--
Other assets	3,950	2,673
Total assets	$ 341,788	$ 381,117
Liabilities and Stockholders' Equity		
Liabilities:		
Short-term borrowings	$ 199,272	$ 225,566
Other borrowings	56,368	60,577
Accounts payable and accrued liabilities	3,182	6,233
Due to affiliates	--	11,698
Dividends payable	4,600	4,600
Total liabilities	263,422	308,674
Commitments and Contingencies (see Note 6)		
Stockholders' Equity:		
Preferred stock, $.0001 par value; 25,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.0001 par value; 200,000,000 shares authorized; 11,500,000 shares issued and outstanding	1	1
Additional paid-in capital	166,980	166,980
Accumulated deficit	(62,326)	(64,093)
Accumulated other comprehensive loss	(26,289)	(30,445)
Total stockholders' equity	78,366	72,443
Total liabilities and stockholders' equity	$ 341,788	$ 381,117

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</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)
(dollars in thousands, except share data)

	Quarter Ended March 31, 1999
Net Interest Income:	
Loans and discounted loans	$ 1,928
Securities	4,428
Other investments	728
Total interest income	7,084
Interest expense	3,693
Net interest income before provision for losses	3,391
Provision for losses	(1,150)
Net interest income after provision for loss	4,541
Real Estate Operations:	
Operating income	1,954
Operating expense	(55)
Interest expense	(1,302)
Provision for losses on real estate	(264)
Depreciation	(394)
Net loss from real estate operations	(61)
Other Operating Income (Loss):	
Gain on sale of real estate	10
Loss on foreign currency translation	(48)
Market valuation losses and impairments	(1,195)
Total other operating loss	(1,233)
Operating Expenses:	
Management fees paid to affiliate	920
Servicing fees paid to affiliates	(52)
Loan expenses paid to affiliates	27
Other	585
Total operating expenses	1,480
NET INCOME	$ 1,767
BASIC AND DILUTED NET INCOME PER SHARE	$ 0.15
WEIGHTED AVERAGE SHARES OUTSTANDING	11,500,000

The accompanying notes are an integral part of these consolidated financial statements.

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars in thousands, except share data)

<TABLE>
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COMMON STOCK	ADDITIONAL	ACCUMULATED OTHER

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	--------------------------		PAID-IN-CAPITAL	ACCUMULATED DEFICIT	COMPREHENSIVE LOSS	TOTAL
	SHARES	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Initial capital	--	--	$ 2	$ --	$ --	$ 2
Issuance of common stock	11,500,000	1	166,978	--	--	166,979
Comprehensive loss:						
Net loss	--	--	--	(56,388)	--	(56,388)
Other comprehensive loss:						
Foreign currency translation					(7)	(7)
Unealized holding losses on securities available for sale	--	--	--	--	(67,817)	(67,817)
Reclassification adjustment for losses on securities included in net loss					37,379	37,379
Total compehensive loss	--	--	--	--	--	(86,833)
Dividends declared	--	--	--	(7,705)	--	(7,705)
Balance at December 31, 1998	11,500,000	1	166,980	(64,093)	(30,445)	72,443
Compehensive income:						
Net income		--	--	1,767	--	1,767
Other compehensive income (loss):						
Unrealized holding gains on securities available for sale	--	--	--	--	3,872	3,872
Reclassification adjustment for losses on securities included in net loss					447	447
Foreign currency translation	--	--	--	--	(163)	(163)
Total comprehensive income	--	--	--	--	--	5,923
Balance at March 31, 1999 (Unaudited)	11,500,000	$ 1	$ 166,980	$ (62,326)	$ (26,289)	$ 78,366

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(dollars in thousands)

	Quarter Ended March 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 1,767
Adjustments to reconcile net loss to net cash used in operating activities:	
Provision for losses	(1,150)
Provision for losses on real estate owned	264
Depreciation	394
Market valuation losses and impairments	1,195
Gain on sale of real estate	(10)
Change in:	
Due from affiliate, net	(10,383)
Accrued interest receivable	407
Prepaid servicing fees	(3,070)
Other assets	(1,215)
Accounts payable and accrued liabilities	(3,051)
Net cash used in operating activities	(14,852)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Repayments of securities available for sale	3,997
Loan originations	(218)
Principal payments received on loans and discounted loans ..	38,646
Investments in real estate	(47)

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Proceeds on sale of real estate	4,056
Debtor-in-possession financing	(5,000)
Net cash provided by investing activities	41,434
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from short-term borrowings	406
Repayments on short-term borrowings	(26,730)
Repayments on other borrowings	(3,676)
Net cash used in financing activities	(30,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,782
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,364
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION--	
Cash paid for interest	$ 4,191
Cash paid for income taxes	--

The accompanying notes are an integral part of these consolidated financial statements.

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999
(dollars in thousands, except share data and where noted)

NOTE 1 - BASIS OF PRESENTATION

The accompanying interim consolidated financial statements of Wilshire Real Estate Investment Trust Inc. and Subsidiaries ("WREIT" or the "Company") are unaudited and have been prepared in conformity with the requirements of Regulation S-X promulgated under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), particularly Rule 10-01 thereof, which governs the presentation of interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. The accompanying interim consolidated financial statements should be read in conjunction with the Company's 1998 Annual Report on Form 10-K, as amended. A summary of the Company's significant accounting policies is set forth in Note 4 to the consolidated financial statements in the 1998 Annual Report on Form 10-K.

In the Company's opinion, all adjustments are comprised of normal recurring accruals necessary for the fair presentation of the interim financial statements. Operating results for the quarter ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Certain items in the consolidated statement of financial condition as of December 31, 1998 were reclassified to conform to the March 31, 1999 presentation.

NOTE 2 - ORGANIZATION AND RELATIONSHIPS

WREIT was incorporated in the State of Maryland on October 24, 1997. The Company was initially formed with a capital investment of $2. Prior to April 6, 1998, the Company had substantially no operating activity and therefore, comparative 1998 consolidated statements of operations and cash flows are not presented. On April 6, 1998, the Company was capitalized with the sale of 11,500,000 shares of common stock, par value $.0001 per share, at a price of $16.00 per share (the "Offering"). Total net proceeds of the Offering after underwriting and offering expenses were $166,979.

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The Company is a party to a management agreement with Wilshire Realty Services Corporation ("WRSC"), a wholly-owned subsidiary of Wilshire Financial Services Group Inc. ("WFSG"), under which WRSC advises the Company on various facets of its business and manages its day-to-day operations, subject to the supervision of the Company's Board of Directors. WFSG currently owns 990,000 shares, or 8.6%, of the Company's outstanding common stock and has options to purchase an additional 1,135,000 shares (25% of which vest on April 6 of each year over the next four years) at an exercise price of $16.00 per share. For its services, WRSC receives a base management fee of 1% per annum of the first $1.0 billion of average invested assets, as defined in the agreement, 0.75% of the next $500 million of average invested assets and 0.50% of average invested assets above $1.5 billion, payable quarterly. In addition, WRSC receives incentive compensation in an amount generally equal to 25% of the dollar amount by which funds from operations ("FFO"), as adjusted, exceeds an amount equal to the product of: (i) $16.00 and (ii) the ten-year Treasury rate plus 5% per annum, multiplied by the weighted average number of shares of common stock outstanding during such period. Finally, WRSC is entitled to receive reimbursements of all due diligence costs and reasonable out-of-pocket expenses. For the quarter ended March 31, 1999, the Company incurred approximately $920 of management fees. No incentive fees were paid.

During the quarter ended March 31, 1999, WFSG submitted a prepackaged plan of reorganization as part of a Chapter 11 bankruptcy filing in the Federal Court of Wilmington, Delaware. On April 12, 1999, the WFSG restructuring plan was approved by the Bankruptcy Court, and, on June 10, 1999, WFSG emerged from bankruptcy pursuant to the restructuring plan.

Wilshire Credit Corporation ("WCC"), an affiliate of WFSG, provides loan and real property servicing to the Company. The WFSG plan of reorganization discussed above includes the transfer of the servicing operations conducted by WCC to a newly formed company controlled by WFSG. The Company believes that the transfer of servicing operations will have no negative impact on the Company.

To date, these events have not had a significant effect on WRSC's ability to act as manager of the Company.

NOTE 3 - INCOME TAXES

To qualify as a REIT, the Company must first make an affirmative election to be taxed as a REIT. As the election is not made until the time the Company files its first federal income tax return, the Company has not yet made the election to be taxed as a REIT. Recent economic conditions, and other factors, have caused the Company carefully to reevaluate its current tax status. As a result of the Company's significant net loss during the year ended December 31, 1998, the Company and its shareholders may derive a greater benefit by deferring a REIT election until a subsequent taxable year. A decision by the Company to not make a REIT election requires a two-thirds vote by its stockholders.

If the Company does not make a REIT election, it will be subject to corporate taxation. During the quarter ended March 31, 1999, the Company would have a current tax provision of approximately $200 due to the alternative minimum tax.

On March 31, 1999, the Company had, for U.S. Federal income tax purposes, a net operating loss carryforward in excess of $70 million, which expires in 2018.

NOTE 4 - SIGNIFICANT TRANSACTIONS.

During the quarter ended March 31, 1999, the Company recovered its carrying value in a loan of approximately $38.6 million through a loan payoff. The loan was secured by certain mortgage-backed securities and classified in loans, net in the consolidated statements of financial condition.

On April 29, 1999, the Company sold a loan held for sale secured by commercial properties in the United Kingdom ("UK") with a carrying value of approximately $47.9 million as of March 31, 1999. As a result of this sale, the Company reversed $3.9 million of a valuation allowance previously provided for in the provision for losses in the accompanying interim consolidated statement of operations for the quarter ended March 31, 1999. This valuation allowance had been established in 1998 based upon WRSC's estimate at that time of the ultimate recoverability of the asset.

NOTE 5 - RELATED PARTY TRANSACTIONS

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In addition to holding certain of WFSG's publicly traded notes, the Company had an outstanding receivable of approximately $17.0 million from WFSG, which bore interest at 13% per annum, arising out of funds loaned by the Company to WFSG. WFSG incurred significant losses as a result of adverse market conditions in 1998 and on March 3, 1999 filed a prepackaged plan of reorganization (the "Restructuring Plan") with the U.S. Bankruptcy Court for the District of Delaware as part of a voluntary bankruptcy filing under Chapter 11 of the U.S. Bankruptcy Code. Prior to the solicitation of WFSG's Restructuring Plan, the unofficial note holders committee of WFSG (which did not include the Company) negotiated a compromise and settlement of the Company's claim against WFSG in respect of the $17.0 million receivable. The Company was represented by its independent directors in connection with the compromise and settlement negotiations. Under this compromise and settlement, if the Company funded the full amount of the debtor-in-possession facility described below, the Company would have received a new note for the full amount of the receivable,

which bears interest at 6% per annum, payable monthly in arrears and will be treated the same as the other holders of WFSG's 13% Series B Notes. Without funding of the debtor-in-possession facility, it is unlikely that the Company would have received as favorable treatment for its investments. The new note will bear interest at 6%, and, therefore, the carrying value of the receivable has been reduced by $5.9 million at December 31, 1998 to reflect the reduction in interest rate.

The Restructuring Plan was approved by the court on April 12, 1999, and, on June 10, 1999, WFSG emerged from bankruptcy pursuant to the Restructuring Plan. As part of the Restructuring Plan, during the quarter ended March 31, 1999, the Company entered into an agreement to provide WFSG with debtor-in-possession financing of up to $10.0 million (the "DIP Facility"). The DIP facility bears interest at 12% and is secured by the stock of First Bank of Beverly Hills, FSB, WFSG's savings bank subsidiary. The DIP Facility matures on February 29, 2004 and repayment is made through fully amortizing principal and interest payments commencing on February 29, 2000. Prior to February 29, 2000, only interest payments are required. The Company loaned $5.0 million under the DIP Facility on March 3, 1999 but did not provide WFSG with the remaining half. Accordingly, under the agreement negotiated by the Company's independent directors with WFSG and its creditors, 50%, or approximately $8.5 million, of WFSG's obligation was treated pari passu with the claims of WFSG's noteholders and converted, together with approximately $21.4 million (in principal plus accrued but unpaid interest) of WFSG's 13% Series B Notes, to 2,874,791 shares of newly issued common stock of WFSG on June 10, 1999, the effective date of the Restructuring Plan. During the quarter ended March 31, 1999, the Company accrued interest on the note receivable at its current contractual interest rate of 13%.

The Company considered the estimated book value of the WFSG common stock received in exchange for the 50% portion of the receivable and recognized a net write-down of approximately $2.7 million, included in the provision for losses in the consolidated statement of operations, in determining its net income for the quarter ended March 31, 1999.

During the quarter ended March 31, 1999 the Company recorded a write-down of approximately $0.8 million to the carrying value of its holdings of WFSG 13% Notes due 2004. The write-down is included in market valuation losses and impairments in the interim consolidated statement of operations.

During the quarter ended March 31, 1999, the Company remitted $15 million to WCC consisting of a payment of amounts owed by the Company to WCC of $11.8 million and the prepayment of $3.2 million of future servicing fees for a release of a guarantee by the Company of $35 million of WCC's indebtedness and of any and all claims against the Company relating thereto. The amortized balance of the prepaid servicing fee is included in the accompanying consolidated statement of financial condition as of March 31, 1999. However, the noteholders of WFSG claim that less than $3.2 million of future servicing fees were paid by the Company. The noteholders of WFSG claim that the amount owed to WCC was approximately $900,000 higher, thereby reducing the amount of the prepayment credit to $2.3 million. The Company believes that the $3.2 million figure is correct and that this matter will be resolved in the Company's favor based on preliminary conversations with WFSG.

During the quarter ended March 31, 1999, the Company recaptured approximately $100 of property servicing fees previously paid to WCC. The recapture, resulting from retroactive restatement of the property servicing fees, was made to better reflect market rates for property servicing.

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NOTE 6 - COMMITMENTS, CONTINGENCIES & OFF-BALANCE SHEET RISK

The Asset and Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist the Company in the management of interest rate risk. In hedging the interest rate and/or exchange rate exposure of a foreign currency denominated asset or liability, the Company may enter into hedge transactions to counter movements in the different currencies, as well as interest rates in those currencies. These hedges may be in the form of currency and interest rate swaps, options, and forwards, or combinations thereof.

At March 31, 1999, the Company was a party to a swap contract in connection with its investment in a commercial mortgage loan secured by real property in the UK. The swap contract, which covers the approximate five-year term of the asset and related financing, is intended to hedge the interest rate basis and currency exposure between UK LIBOR (the lending rate) and US LIBOR (the borrowing rate) payments, as well as the principal (notional) amount of the loan which, as of March 31, 1999, was $49.7 million. As discussed in Note 4, this loan was sold on April 29, 1999 and, in connection therewith, this swap agreement was terminated.

The Company is also a party to a five year swap in connection with its investment in real property in the UK. The notional amount is GBP 11,224,000 and has the financial impact of converting floating rate financing to a fixed rate of interest.

The Company is involved in various legal proceedings occurring in the ordinary course of business which the Company believes will not have a material adverse effect on the financial condition or operations of the Company.

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

The following discussion should be read in conjunction with the Interim Consolidated Financial Statements of the Company and Notes thereto.

GENERAL

Wilshire Real Estate Investment Trust Inc. ("WREIT" or the "Company") is a Nasdaq-listed corporation that was formed in October 1997 and commenced operations in April 1998 following the completion of our initial public offering.

In response to adverse market conditions in the second half of 1998 and the resulting effect on our operations, we focused our efforts on stabilizing our existing asset base and greatly reduced acquisition activities during the quarter ended March 31, 1999. Based on our results of operations for the quarter ended March 31, 1999 and the restructuring of the Wilshire Financial Services Group Inc. ("WFSG"), as described below, the Company believes that general market conditions have stabilized and we can return our operational focus to our primary business plan.

As we resume acquisition activities, we anticipate lessening the level of investment in commercial operating properties and increasing investments in loans. We believe that investments in loans provides higher yields and allows us to more efficiently leverage our existing capital, thereby providing us a higher return on equity. We believe there may be attractive opportunities for additional investments in Europe, particularly in France. In addition to the direct acquisition of loans and other investments, we may seek to invest in other companies that invest in real estate related assets, especially where the market capitalizations of such companies do not reflect the inherent values of the underlying assets or franchises. Nonetheless, we make investment decisions on an opportunistic basis and will evaluate investment opportunities as they arise.

The following discussion of our results of operations, changes in financial condition and liquidity and capital resources should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included in Item 1 herein.

RESTRUCTURING OF WFSG

During the quarter ended March 31, 1999, WFSG, the parent of our manager, Wilshire Realty Services Corporation ("WRSC"), submitted a prepackaged plan of reorganization as part of a Chapter 11 bankruptcy filing in the Federal Court of

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Wilmington, Delaware. On April 12, 1999, the WFSG restructuring plan was approved by the Bankruptcy Court, and WFSG's bankruptcy organization was consummated on June 10, 1999. In the Company's opinion, completion of the WFSG restructuring plan is a major step in our efforts to return focus to our primary business plan and move beyond the turmoil encountered in the second half of 1998. In addition to resolving outstanding claims, completion of the WFSG restructuring plan reduced the uncertainty related to the ability of WRSC to continue as our manager.

Through our independent directors, we were a party to the restructuring negotiations since we had a $17.0 million unsecured receivable from WFSG, bearing interest at 13%. During the quarter ended March 31, 1999, we entered into an agreement to provide WFSG with debtor-in-possession financing of up to $10.0 million (the "DIP Facility") as part of a compromise and settlement of the $17.0 million receivable due from WFSG. Under this compromise and settlement, if the Company funded the full amount of the DIP Facility, the Company would have received a new note for the full amount of the receivable, which bears interest at 6% per annum payable monthly in arrears and will be treated the same as the other holders of WFSG's 13% Series B Notes. The DIP Facility bears interest at 12% and is secured by the stock of First Bank of Beverly Hills, FSB, WFSG's savings bank subsidiary. The DIP Facility matures on February 29, 2004 and repayment is made through fully amortizing principal and interest payments commencing on February 29, 2000. Prior to February 29, 2000, only interest payments are required. The business decision to provide the DIP Facility was based on the independent directors' desire to obtain the best possible treatment for the Company's holdings of WFSG's 13% Series B Notes and the account receivable due from WFSG and the fact that the debtor-in-possession facility had priority as a matter of law and was fully secured by the stock of WFSG's healthy bank subsidiary. Without funding of the DIP Facility, it is unlikely that the Company would have received as favorable treatment for its investments.

We funded $5.0 million of the DIP Facility on March 3, 1999, but did not provide WFSG with the remaining half. Accordingly, under the agreement negotiated by the Company's independent directors with WFSG and its creditors, 50%, or approximately $8.5 million, of WFSG's obligation was treated pari passu with the claims of WFSG's noteholders and converted, together with approximately $21.4 million (in principal plus accrued but unpaid interest) of WFSG's 13% Series B Notes, to 2,874,791 shares of newly issued common stock of WFSG on June 10, 1999, the effective date of the restructuring plan. Additionally, on the effective date of the restructuring plan, the Company acquired approximately $8.5 million in principal amount of WFSG's 6% Convertible PIK Notes due 2006 (the "New Notes") in exchange for the remaining 50% of the $17.0 million intercompany receivable owed by WFSG to the Company. The Company may elect to convert the New Notes into new common stock of WFSG upon receipt of a notice of redemption of the New Notes by WFSG.

We have considered the estimated book value of the WFSG common stock received in exchange for the 50% portion of the receivable and recognized a net write down of approximately $2.7 million, included in the provision for losses in the consolidated statement of operations, in determining net income for the quarter ended March 31, 1999. The note receivable is classified in due from affiliate in the consolidated statements of financial condition.

In addition to the above mentioned $2.7 million provision for losses related to the $17.0 million note receivable from WFSG, we recognized $0.8 million of market valuation losses and impairments related to our holdings of WFSG 13% Notes due 2004. Our net income for the quarter ended March 31, 1999 would have been $5.3 million, excluding these WFSG restructuring related losses and was $1.7 million including such losses.

INCOME TAX STATUS

To qualify as a REIT, we must first make an affirmative election to be taxed as a REIT at the time we file our first federal income tax return later this year. During 1998, we incurred substantial losses resulting from volatile conditions in the global financial marketplace, as explained in the Annual Report on Form 10-K, as amended. As a result, we are

evaluating whether we and our shareholders will derive greater benefit from not electing REIT status at this time. A decision to not make a REIT election requires approval by two-thirds of our stockholders.

If we do not elect to be taxed as a REIT, we would be subject to corporate taxation. During the quarter ended March 31, 1999, we would have a current tax provision of approximately $0.2 million as a result of the alternative minimum tax.

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On March 31, 1999, the Company had, for U.S. Federal income tax purposes, a net operating loss carryforward in excess of $70 million, which expires in 2018.

RESULTS OF OPERATIONS - QUARTER ENDED MARCH 31, 1999

NET INCOME. Our net income for the quarter ended March 31, 1999 was $1.8 million, or $0.15 per share. The net income is primarily attributable to net interest income after provision for losses of $4.5 million, partially offset by a loss on real estate operations of $0.1 million, market valuation losses and impairments of $1.2 million (of which $0.8 million is attributable to our holdings of WFSG 13% Notes due 2004 and $0.4 million is attributable to our portfolio of mortgage-backed securities) and operating expenses and management fees of $1.5 million.

NET INTEREST INCOME. The following table sets forth information regarding the total amount of income from interest-earning assets and expense from interest-bearing liabilities and the resulting average yields and rates:

	For the Quarter Ended March 31, 1999		
	Average Balance	Interest Income	Annualized Yield/Rate
	(dollars in thousands)		
Interest-Earning Assets:			
Loan portfolios (3)	$ 86,627	$ 1,928	9.0%
Mortgage-backed securities available for sale	147,738	4,428	12.2
Other securities available for sale (4)	9,924	--	--
Due from affiliates	11,968	585	19.8
Debtor-in-possession financing to WFSG	2,555	77	12.0
Other investments	5,965	66	4.5
Total interest-earning assets	264,777	7,084	10.9
Interest-Bearing Liabilities:			
Short-term borrowings	207,559	3,693	7.2
Other borrowings	59,241	1,302	8.9
Total interest-bearing liabilities	266,800	4,995	7.6
Net interest income before provision for loan losses/spread (1)		$ 2,089	3.3%
Net interest margin (2)			3.2%

(1) Net interest spread represents the difference between the average rate on interest-earning assets and the average cost of interest-bearing liabilities.
(2) Net interest margin represents net interest income divided by average interest-earning assets.
(3) As discussed in Note 4 to the interim consolidated financial statements, in April 1999 we sold a loan with a carrying value of approximately $47.9 million at March 31, 1999. The net interest margin attributable to this loan, net of related swaps, was approximately 5.4% during the quarter ended March 31, 1999.
(4) Other securities available for sale represents our investment in WFSG 13% Notes due 2004 which, upon WFSG's emergence from bankruptcy, in June 1999, were converted to common stock of WFSG. Accordingly, we have not accrued interest income on these securities during the quarter ended March 31, 1999.

PROVISION FOR LOSSES. During the quarter ended March 31, 1999, we reversed a provision for losses of $3.9 million taken in prior periods for a loan held for sale. As discussed in Note 4 to the interim consolidated financial statements, this loan was sold on April 29, 1999. This provision reversal was

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partially offset by a provision for losses on loans of $0.1 million. In addition, as discussed in Note 5 to the interim consolidated financial statements, during the quarter ended March 31, 1999 we recognized a net write-down of $2.7 million in the carrying value of a $17.0 million note receivable from WFSG to reflect the estimated value of the common stock of WFSG to be received in exchange for a portion of the note. The write-down is included in provision for losses in the consolidated statement of operation for the quarter ended March 31, 1999.

REAL ESTATE OPERATIONS. Such operations represent activity from our investment in various office buildings, retail stores, and other commercial property located in Oregon, California and the United Kingdom. During the quarter ended March 31, 1999, we realized a loss of approximately $0.1 million on these properties. This loss was attributable to provision for losses on real estate of $0.3 million, interest expense of $1.3 million, depreciation expense of $0.4 million, and operating expense of $0.1 million which, in the aggregate, exceeded gross rental and other revenues of $2.0 million. Excluding $0.7 million of non-cash charges to real estate operations, including depreciation and loss provision, we had positive cash flow from such operations of approximately $0.6 million.

OTHER LOSS. Our other loss was approximately $1.2 million for the quarter ended March 31, 1999, resulting primarily from $1.2 million of market valuation losses and impairments. During the quarter ended March 31, 1999 we recorded $0.8 million of market valuation losses and impairments related to our holdings of WFSG 13% Notes due 2004, which are included in other securities in the consolidated statements of financial condition, and $0.4 related to our portfolio of mortgage-backed securities available for sale. These market valuation losses and impairments were deemed by the Company to be other than temporary in nature. The devaluation, and subsequent write-down, of these assets results from the residual effect of market turmoil experienced during the second half of 1998. Although the market for mortgage-backed securities, in particular subordinate classes of mortgage-backed securities, has not fully recovered from the events of 1998, the Company believes the markets have stabilized during the first quarter of 1999 as reflected in the substantial decline in market valuation losses and impairments related to mortgage-backed securities from $1.2 million for the quarter ended December 31, 1998 to $0.4 million for the quarter ended March 31, 1999.

OPERATING EXPENSES. Management fees of $0.9 million for the quarter ended March 31, 1999 were comprised solely of the 1% (per annum) base management fee paid to WRSC for the period, as provided pursuant to our management agreement with WRSC. WRSC earned no incentive fee for this period. Other expenses were comprised of professional services, insurance premiums and other sundry expenses. During the quarter ended March 31, 1999, we recaptured loan service fees of approximately $0.1 million. The recapture of service fees resulted from a review of, and retroactive reduction in, certain property servicing fees charged to us.

CHANGES IN FINANCIAL CONDITION

GENERAL. Total assets decreased from approximately $381.1 million at December 31, 1998 to approximately $341.8 million at March 31, 1999. The decrease in total assets is primarily attributable to a reduction of $38.5 million in loans, net that resulted from the payoff of a loan secured by mortgage-backed securities with a carrying value of $38.6 million at December 31, 1998. Total liabilities decreased from approximately $308.7 million at December 31, 1998 to approximately $263.4 million at March 31, 1999 primarily as a result of a reduction in short-term borrowings related to the

loan payoff noted above, and an $11.7 million decrease in due to affiliates. Stockholders' equity increased approximately $5.9 million due primarily to a reduction of $4.3 million in unrealized loss on available for sale securities, and net income of $1.8 million for the quarter ended March 31, 1999.

SECURITIES AVAILABLE FOR SALE. The balance of securities available for sale was substantially unchanged from December 31, 1998 to March 31, 1999. This resulted from a decrease in carrying value of $4.0 million due to cash receipts, offset by a net decrease in the unrealized loss on available for sale securities of approximately $4.3 million from December 31, 1998 to March 31, 1999 and to a lesser extent, the recognition of other than temporary impairment of approximately $1.2 million, of which approximately $0.8 million is attributable to our holdings of WFSG 13% Notes due 2004 and $0.4 million is attributable to our portfolio of mortgage-backed securities.

We mark our securities portfolio to fair value at the end of each month

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based upon broker/dealer marks, subject to an internal review process. For those securities that do not have an available market quotation, we request market values and underlying assumptions from the various broker/dealers that underwrote the securities, are currently financing the securities, or have had prior experience with the type of securities. Because many of our subordinate securities are not readily marketable, as trading activity may be infrequent, the market value is typically available from only a small group of broker/dealers, and in most cases, only one broker/dealer. As of each reporting period, we evaluate whether and to what extent any unrealized loss is to be recognized as other than temporary.

At March 31, 1999, we valued our securities available for sale portfolio and gross unrealized gains and losses thereon as follows:

	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(dollars in thousands)			
Mortgage-backed securities	$ 174,799	$ 1,268	$ (27,387)	$ 148,680
Other securities	9,185	--	--	9,185
	$ 183,984	$ 1,268	$ (27,387)	$ 157,865

(1) The amortized cost of the investment securities reflects the market valuation losses and impairments discussed in "Results of Operations".

LOAN PORTFOLIO. During the quarter ended March 31, 1999, our loan portfolio of non-discounted loans (including loans and loans held for sale) decreased by approximately $34.5 million due primarily to the payoff of a loan, which was secured by certain mortgage-backed securities, with a carrying value of approximately $38.6 million at the time of payoff, and by a provision for losses on loans of $0.1 million. These decreases in the loan portfolio balance were partially offset by the reversal of a provision for losses on loans held for sale of $3.9 million, as discussed previously. There were no other sales and no purchases of loan assets during the quarter ended March 31, 1999.

Subsequent to March 31, 1999, we sold a loan secured by a second lien on five luxury hotels in the UK. As of March 31, 1999, this loan comprised the entire balance of loans held for sale in the consolidated statements of financial condition.

As we begin to return our focus to execution of our business plan, it is likely that our investment activities will focus more on the purchase of loan assets, and our investments in commercial operating properties will be reduced. We believe that certain loan assets provide higher yield returns, especially when coupled with our servicer's expertise in servicing international loans and domestic non-conforming and sub-performing loan assets. We remain optimistic about investment opportunities in Europe and, in particular, France.

The following table sets forth certain information relating to the payment status of loans in the Company's loan portfolio at March 31, 1999:

	Unpaid Principal Balance (dollars in thousands)
Current or past due less than 31 days	$ 30,848
Past due 31 to 89 days	--
	$ 30,848

We maintain an allowance for loan losses on non-discounted loans at a level that the Company considers adequate, based upon the advice of WRSC, to provide for probable losses based upon an evaluation of known and inherent risks.

DISCOUNTED LOAN PORTFOLIO. The balance of discounted loans is substantially unchanged from December 31, 1998 to March 31, 1999. During the quarter ended March 31, 1999, we did not purchase or sell any discounted loan

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assets. As noted above, we currently plan to increase our concentration of investment into loan related assets, including discounted loans when appropriate, and decrease our level of investment in commercial operating properties. Nonetheless, we make investment decisions on an opportunistic basis and will evaluate investment opportunities as they arise.

The following table sets forth certain information relating to the payment status of loans in our discounted loan portfolio at March 31, 1999:

	Unpaid Principal Balance (dollars in thousands)
Current or past due less than 31 days	$ 1,252
Past due 31 to 89 days	--
Past due 90 days or greater	6,891
	$ 8,143

The Company maintains an allowance for loan losses on discounted loans at a level that the Company considers adequate, based upon the advice of WRSC, to provide for probable losses on discounted loans based upon an evaluation of known and inherent risks. No additional allowance for loan losses for discounted loans was provided for during the quarter ended March 31, 1999.

INVESTMENTS IN REAL ESTATE. Investments in real estate decreased approximately $5.4 million from December 31, 1998 to March 31, 1999 due primarily to the sale of one operating property for proceeds of approximately $4.1 million. In addition, we recognized approximately $0.4 million of depreciation expense related to operating properties and recorded a $0.3 million provision for real estate losses during the quarter ended March 31, 1999.

SHORT-TERM BORROWINGS. Short-term borrowings decreased by approximately $26.3 million during the quarter ended March 31, 1999 due primarily to the repayment of borrowings related to a loan which paid off. The balance of outstanding borrowings related to this loan at the time of payoff was approximately $20.0 million. The remaining change is primarily attributable to principal payments made from receipts from mortgage-backed securities.

OTHER BORROWINGS. Other borrowings decreased approximately $4.2 million during the quarter ended March 31, 1999 due primarily to the repayment of borrowings related to an operating property which was sold during the reporting period.

STOCKHOLDERS' EQUITY. Stockholders' equity increased by approximately $5.9 million during the quarter ended March 31, 1999 as the result of a $4.3 million decrease in unrealized holding losses on available for sale securities resulting from an increase in the fair value of our mortgage-backed securities portfolio in relation to amortized cost, and net income of $1.8 million for the quarter ended March 31, 1999.

FUNDS FROM OPERATIONS

The Company considers funds from operations ("FFO") an appropriate supplementary measure of operating performance of a REIT. In general, FFO adjusts net income for non-cash charges such as depreciation, and certain amortization expenses and most non-recurring gains and losses. However, FFO does not represent cash provided by operating activities in accordance with generally accepted accounting principles ("GAAP") and should not be considered an alternative to net income as an indication of the results of our performance or to cash flow from operating, investing and financing activities as a measure of liquidity or the Company's ability to make distributions.

We compute FFO in accordance with the definition recommended by National Association of Real Estate Investment Trusts ("NAREIT") as described in the NAREIT White Paper. For the quarter ended March 31, 1999, our FFO was $3.3 million or $0.29 per weighted average common share. The following table provides the calculation of the Company's FFO:

	For the Quarter Ended March 31, 1999 (dollars in thousands, except share data)

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Net income	$ 1,767
Real estate related depreciation	394
Gain on sale of real estate	(10)
Market valuation losses and impairments (1)	1,195
FFO (2)	$ 3,346
FFO per common share	$ 0.29

(1) The Company understands that NAREIT's intent in the creation of FFO was to produce a measure of operating performance that is recurring in nature. Accordingly, NAREIT believes that items classified by GAAP as extraordinary or unusual, along with significant non-recurring events that materially distort the comparative measurement of company performance over time, are not meant to be reductions or increases in FFO, and should be disregarded in its calculation. Accordingly, the market valuation losses and impairments have been excluded from the net loss in arriving at FFO.

(2) NAREIT's definition of FFO does not adjust net income by provisions for loan losses. However, we provided $2.7 million of loan loss during the quarter ended March 31, 1999 on our note receivable from WFSG, which we believe is non-recurring in nature. Including this additional adjustment for WFSG related loan loss provisions, FFO would have been $6.0 million for the quarter ended March 31, 1999. FFO for the

three months ended March 31, 1999 principally reflects the significant impact on the Company of the difficult financial conditions in the third and fourth quarters of 1998, which had a substantial impact on our liquidity position and resulted in significant losses for the period and continued to affect our operations in 1999. FFO may not actually represent the amount made available to shareholders in the form of dividends, since the Company is only required to distribute 95% of its taxable income to qualify as a REIT and that taxable income is calculated differently than FFO. The Company may not calculate FFO in the same manner as other real estate investment trusts and accordingly the Company's FFO may not be directly comparable to that of other real estate investment trusts.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measurement of the Company's ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund investments, engage in loan acquisition and lending activities, meet collateral calls and for other general business purposes. The primary sources of funds for liquidity during the quarter ended March 31, 1999 consisted of net cash provided by investing activities, including the cash repayments related to our mortgage-backed securities portfolio and a loan receivable which paid off during the quarter. The adverse market conditions, which negatively impacted us during the third and fourth quarters of 1998, began to stabilize during the quarter ended March 31, 1999. As of March 31, 1999, we had outstanding collateral calls with one of our lenders, net of cash retained, of approximately $2.6 million, which is a substantial decrease from the balance outstanding as of December 31, 1998 of $4.4 million.

Fluctuations in interest rates will continue to impact our net interest income to the extent our fixed rate assets are funded by variable rate debt or our variable rate assets reprice on a different schedule or in relation to a different index than its floating rate debt, which in turn could impact potential returns to shareholders. See "Item 3 - Quantitative and Qualitative Disclosures about Market Risk". The flexibility in our leverage is dependent upon, among other things, changes in interest rates, changes in market spreads, or decreases in credit quality of underlying assets. In such circumstances, we would be required to provide additional collateral in connection with our short-term, floating-rate borrowing facilities. For additional information with respect to the Company's monthly mark-to-market of its securities available for sale portfolio, see "Changes in Financial Condition - Securities Available for Sale."

At March 31, 1999, we had total consolidated secured indebtedness of $255.6 million, as well as $3.2 million of other liabilities. This consolidated indebtedness consisted of (i) $159.9 million of repurchase agreements, (ii) lines of credit aggregating $39.4 million which are secured by loans and securities and (iii) $56.3 million outstanding of other borrowings which mature between 1999 and 2008 which are secured by real estate. The monthly interest expense on the Company's total consolidated indebtedness was $1.7 million, $1.6

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million and $1.7 million for the months of January, February and March 1999, respectively.

In general, we finance acquisitions of mortgage-backed securities through uncommitted thirty-day repurchase agreements with primary securities dealers. Loans are financed through short-term warehouse facilities or intermediate term loans. Warehouse agreements are secured lending arrangements. If the value of the assets securing the loan declines as determined by the lender, the lender may request that the amount of the loan be reduced by cash payments from the borrower or additional collateral be provided by the borrower (generally known as "collateral calls"). Accordingly, in an environment where lenders consistently mark down the value of the underlying assets, a borrower can become subject to collateral calls, which can have a significant impact on liquidity. Similarly, if interest rates increase significantly, the borrowing cost under the short term warehouse agreement may also increase while the interest rate on the assets securing the loan may not increase at the same time or to the same degree. Real property acquisitions are financed with intermediate or long-term mortgages with banks and other financial institutions.

Repurchase agreements are secured lending arrangements which involve the borrower selling an asset to a lender at a fixed price with the borrower having an obligation to repurchase the asset within a specified period (generally 30 days) at a higher price reflecting the interest cost of the loan. If the value of the underlying asset declines or the lender marks the asset lower, the lender may request that the amount of the loan be reduced by cash payments from the borrower or additional collateral be provided by the borrower (generally known as "collateral calls"). Mortgage-backed

securities which are subject to repurchase agreements, as well as loans and real estate which secure other indebtedness, periodically are revalued by the lender, and a decline in such value may result in the lender requiring us to provide additional collateral to secure the indebtedness. As of March 31, 1999, the Company had approximately $181.1 million of indebtedness under the terms of which the lender could request additional collateral if the value of the underlying collateral declined. Although the Company believes that the likelihood of significant declines in asset values has decreased since the fourth quarter of 1998, the Company is seeking to maintain a larger cash position and more unencumbered assets to deal with future potential collateral calls. In addition, the Company is seeking to refinance some of this short term indebtedness with longer term indebtedness which would not be subject to the same collateral calls.

In addition to payment and, in the case of our secured indebtedness, collateralization requirements, we are subject to various other covenants in our indebtedness, including the maintenance of specified amounts of equity. At March 31, 1999, we were in compliance with all obligations in our indebtedness and equity, as defined in the applicable agreements, except for one such facility, which, subsequent to March 31, 1999, has been restructured into a facility secured by certain real properties. There can be no assurance that operating losses, if any, will not result in our violation of financial covenants in the future. In the event of a default in such covenants, the lender generally would be able to accelerate repayment of the subject indebtedness and pursue other available remedies, which could result in defaults on other indebtedness, unless the applicable lender or lenders allowed us to remain in violation of the agreements. Were a default to be declared, we would not be able to continue to operate without the consent of our lenders. We are currently considering various alternatives to enhance our ability to meet payment and other obligations under our indebtedness and the funding requirements discussed below. There can be no assurance that the Company will have sufficient liquidity to meet these obligations on a short-term or long-term basis.

If we are unable to fund additional collateral needs or to repay, renew or replace maturing indebtedness on terms reasonably satisfactory to us, we may be required to sell, under adverse market conditions, a portion of our assets, and could incur losses as a result. Furthermore, an extremely limited market for subordinate and residual interests in mortgage-related securities exists under current conditions and there can be no assurance that one will fully develop, thereby limiting our ability to dispose of such securities promptly for fair value in such situations.

Based on our monthly interest and other expenses, monthly cash receipts and collateral calls through April 30, 1999, we believe that our existing sources of funds will be adequate for purposes of meeting our short-term liquidity needs. There can be no assurance that this will be the case, however. Material increases in interest expense from variable rate funding sources, collateral calls, or material decreases in monthly cash receipts generally would

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negatively impact our liquidity. On the other hand, material decreases in interest expense from variable rate funding sources or in collateral calls generally would positively affect our liquidity.

OTHER - YEAR 2000 COMPLIANCE

Many existing computer software programs and other technologically dependent systems use two digits to identify the year in date fields and, as such, could fail or create erroneous results by or at the Year 2000. We, WRSC and the companies that service our loan portfolio (our "Servicers") utilize a number of technologically dependent systems to operate, service mortgage loans and manage mortgage assets. WRSC, together with Wilshire Credit Corporation ("WCC", an affiliate of WFSG) and Wilshire Servicing Company U.K. Limited (a wholly-owned subsidiary of WFSG), who are our two Servicers, formed a committee to address year 2000 issues ("the Committee") that reports directly to WFSG's executive committee. The Committee is headed by WFSG's Chief Information Officer and includes representatives from across departments within WRSC and our Servicers as well as our management.

The Committee established and completed a project plan with respect to Year 2000 readiness. In the first phase of the project, the Committee conducted an inventory of all systems for WRSC and our Servicers, classifying each as either "critical" or "non-critical". For systems deemed "critical", the Committee developed detailed test plans and created separate Year 2000 test environments. After the testing phase, in which Year 2000 issues were identified, phases of resolution, retesting, implementation and certification were completed.

WRSC and our Servicers began testing of all critical systems in 1997 and completed all necessary testing of such systems, including both systems supplied by outside vendors and internally developed systems, by the end of February 1999. In each case, issues which were identified were resolved. Changes which resulted from testing were coded, retested and implemented and moved into production. Following these phases, each department's executive management certified that their staff had tested critical code and deemed it adequate. In addition, for all critical systems supplied by outside vendors, the Committee obtained a written certification from the vendor that the applicable package is "Year 2000 compliant". With respect to non-critical systems supplied by outside vendors, the Committee has consulted substantially all of the vendors' Internet sites and has obtained copies of Year 2000 compliance certifications from those sites. All phases of the Committee's Year 2000 readiness project were completed by the end of April 1999. As a result, WRSC's management believes that the Company is Year 2000 compliant in all material respects.

In addition to the information technology systems ("IT systems"), various "environmental systems" ("non-IT systems") used for the Company's business, including the telephone, elevator and security systems, incorporate technology that could be impaired by the year 2000 date change. The Committee has received written certification that each significant non-IT system is Year 2000 compliant.

Our operations are overseen by WRSC, and in accordance with the management agreement, all operating costs including costs related to the Year 2000 issue are covered in the management fee agreement. The financial impact of becoming Year 2000 compliant has not been and is not expected to be material to us or our results of operations. Aside from limited hardware costs, WRSC's parent company's primary expense related to Year 2000 compliance is allocation of existing staff. The Committee estimates the total cost related to Year 2000 compliance to be approximately $0.5 million, substantially all of which had been incurred by December 31, 1998.

Our most likely worst case Year 2000 scenario would be one in which our Servicers are unable to perform necessary loan servicing activities. To the extent the loan servicing system is not Year 2000 compliant, the ability to service loans would be in jeopardy. This, in turn, would limit the collections of payments on mortgage loans, which would, further, hinder the Company's ability to meet its own debt service and other cash requirements. Although WRSC and the Company do not believe that it is reasonably likely that the Year 2000 date change will cause such a scenario to occur, the Committee has developed a contingency plan with procedures for manual loan servicing, for up to a week, should the loan servicing system cease to be operational. The loan servicing system was developed internally, and WRSC has advised us that it believes that, in the event of an unexpected Year 2000 issue, the source of the issue could be isolated, and the issue could be corrected, rapidly by WRSC's existing staff without significant cost. Accordingly, we do not believe that such a failure of the loan servicing system would result in any material loss of revenue or have

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any other material impact on the Company.

Based on the results of Committee's Year 2000 readiness project, we are confident that WRSC and our Servicers are appropriately addressing the Year 2000 issues. Critical IT systems supplied by outside vendors have undergone testing not only by WRSC and our Servicers, but by other customers of the vendors as well. WCC's loan servicing system is an internally developed system and therefore, information technology personnel are very familiar with the system and believe their efforts will have favorable results.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED HEREIN AND CERTAIN STATEMENTS CONTAINED IN FUTURE FILINGS BY THE COMPANY WITH THE SEC MAY NOT BE BASED ON HISTORICAL FACTS AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. FORWARD- LOOKING STATEMENTS WHICH ARE BASED ON VARIOUS ASSUMPTIONS (SOME OF WHICH ARE BEYOND THE COMPANY'S CONTROL) MAY BE IDENTIFIED BY REFERENCE TO A FUTURE PERIOD OR PERIODS, OR BY THE USE OF FORWARD-LOOKING TERMINOLOGY, SUCH AS "MAY," "WILL," "BELIEVE," "EXPECT," "ANTICIPATE," "CONTINUE," OR SIMILAR TERMS OR VARIATIONS ON THOSE TERMS, OR THE NEGATIVE OF THOSE TERMS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN FORWARD-LOOKING STATEMENTS DUE TO A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, THOSE RELATED TO THE

ECONOMIC ENVIRONMENT, PARTICULARLY IN THE MARKET AREAS IN WHICH THE COMPANY OPERATES, COMPETITIVE PRODUCTS AND PRICING, FISCAL AND MONETARY POLICIES OF THE U.S. GOVERNMENT, CHANGES IN PREVAILING INTEREST RATES, ACQUISITIONS AND THE INTEGRATION OF ACQUIRED BUSINESSES, CREDIT RISK MANAGEMENT, ASSET/LIABILITY MANAGEMENT, YEAR 2000 COMPLIANCE ISSUES, THE FINANCIAL AND SECURITIES MARKETS AND THE AVAILABILITY OF AND COSTS ASSOCIATED WITH SOURCES OF LIQUIDITY. EXCEPT AS REQUIRED BY LAW, THE COMPANY DOES NOT UNDERTAKE, AND SPECIFICALLY DISCLAIMS ANY OBLIGATION, TO PUBLICLY RELEASE THE RESULTS OF ANY REVISIONS WHICH MAY BE MADE TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT THE OCCURRENCE OF ANTICIPATED OR UNANTICIPATED EVENTS OR CIRCUMSTANCES AFTER THE DATE OF SUCH STATEMENTS.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices, and equity prices. The primary market risk to which the Company is exposed is interest rate risk, which is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, and other factors beyond the control of the Company. Changes in the general level of interest rates can affect the Company's net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with its interest-bearing liabilities, by affecting the spread between the Company's interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates also can affect, among other things, the ability of the Company to acquire loans, the value of the Company's mortgage-backed securities and other interest-earning assets, and its ability to realize gains from the sale of such assets.

It is the objective of the Company to attempt to control risks associated with interest rate movements. In general, WRSC's strategy for the Company is to limit the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time. The Company's asset and liability management strategy is formulated and monitored by WRSC regularly to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, including those attributable to hedging transactions, purchase and securitization activity, and maturities of investments and borrowings.

The following table quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) by 100 to 400 basis points, assuming the yield curves of the rate shocks will be parallel to each other. Net portfolio value is calculated as the sum of the value of off-balance sheet instruments and the present value of cash in-flows generated from interest-earning assets net of cash out-flows in respect of interest-bearing liabilities. The cash flows associated with the loan portfolios and securities available for sale are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history and product types are used

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to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the securities. Actual results could differ significantly from those estimated in the table.

Change in Interest Rates	Projected Percent Change In Net Interest Income	Net Portfolio Value
-400 Basis Points	35.2%	19.4%
-300 Basis Points	26.4%	14.7%
-200 Basis Points	17.6%	9.9%
-100 Basis Points	8.8%	5.0%
0 Basis Points	0.0%	0.0%
100 Basis Points	-8.8%	-5.0%
200 Basis Points	-17.6%	-9.9%
300 Basis Points	-26.4%	-14.7%
400 Basis Points	-35.2%	-19.6%

Asset and liability management involves managing the timing and magnitude of the repricing of assets and liabilities. It is the objective of the Company to attempt to control risks associated with interest rate movements. In general, the Manager's strategy for the Company is to match asset and liability balances within maturity categories to limit the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time.

The Asset and Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist us in the management of interest rate risk. In hedging the interest rate and exchange rate exposure of a foreign currency denominated asset or liability, we may enter into hedge transactions to counter movements in the different currencies as well as interest rates in those currencies. Other than as discussed below, no such techniques were in use as of March 31, 1999.

Methods for evaluating interest rate risk include an analysis of the Company's interest rate sensitivity "gap," which is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Since different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following tables set forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at December 31, 1998 and at June 30, 1999.

As of December 31, 1998
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	Within 3 Months <C>	4 to 12 Months <C>	One Year to 3 Years <C>	More than 3 Years <C>	TOTAL <C>
INTEREST SENSITIVE ASSETS(1):					
CASH AND CASH EQUIVALENTS	$ 4,782				$ 4,782
SECURITIES AVAILABLE FOR SALE		47,413		111,325	158,738
LOANS(2)	114,068	117	312	1,131	115,628
DUE FROM AFFILIATES	12,352				12,352
TOTAL RATE SENSITIVE ASSETS	$ 131,202	$ 47,530	$ 312	$ 112,456	$ 291,500

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INTEREST SENSITIVE LIABILITIES:					
REVERSE REPURCHASE AGREEMENTS	$ 181,557				$ 181,557
NOTES PAYABLE	42,209				42,209
BORROWING ON REAL ESTATE(4)	--		1,093	59,484	60,577
DUE TO AFFILIATES	11,698				11,698
DIVIDENDS PAYABLE		4,600			4,600
TOTAL RATE SENSITIVE LIABILITIES	235,464	4,600	1,093	59,484	300,641
INTEREST RATE SENSITIVITY GAP	(104,262)	42,930	(781)	52,972	
CUMULATIVE INTEREST RATE SENSITIVITY GAP	(104,262)	(61,332)	(62,113)	(9,141)	
CUMULATIVE INTEREST RATE SENSITIVITY GAP AS A PERCENTAGE OF TOTAL RATE-SENSITIVE ASSETS	-36%	-21%	-21%	-3%	

</TABLE>

----
(1) Real estate property holdings are not considered interest rate sensitive.
(2) Amortizing fixed rate loans are assumed to prepay at a Constant Prepayment Rate ("CPR") of 10%.

As of June 30, 1999
(Dollars in thousands)

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<S>	Within 3 Months <C>	4 to 12 Months <C>	One Year to 3 Years <C>	More than 3 Years <C>	TOTAL <C>
INTEREST SENSITIVE ASSETS(1):					
CASH AND CASH EQUIVALENTS	9,223				$ 9,223
SECURITIES AVAILABLE FOR SALE(2)		52,385		68,150	120,535
LOANS(3)	26,054	79	211	5,763	32,107
DIP LOAN	--			5,000	5,000
NOTE RECEIVABLE - WFSG	--			5,763	5,763
TOTAL RATE SENSITIVE ASSETS	$ 35,277	$ 52,464	$ 211	$ 84,676	$ 172,628
INTEREST SENSITIVE LIABILITIES:					
REVERSE REPURCHASE AGREEMENTS	$ 119,262				$ 119,262
NOTES PAYABLE	23,062	18,130			41,192
BORROWING ON REAL ESTATE(4)	--	1,087	--	54,777	55,864
DIVIDENDS PAYABLE	4,600				4,600
TOTAL RATE SENSITIVE LIABILITIES	$ 146,924	$ 19,217	--	$ 54,777	$ 220,918
INTEREST RATE SENSITIVITY GAP(4)	(111,647)	33,247	211	29,899	
CUMULATIVE INTEREST RATE SENSITIVITY GAP	(111,647)	(78,400)	(78,189)	(48,290)	
CUMULATIVE INTEREST RATE					

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SENSITIVITY GAP AS A PERCENTAGE OF TOTAL RATE-SENSITIVE ASSETS	-65%	-45%	-45%	-28%

</TABLE>

----

(1) Real estate property holdings are not considered interest rate sensitive.
(2) Includes treasury bills maturing in October 1999.
(3) Amortizing fixed rate loans are assumed to prepay at a CPR of 10%.
(4) Includes borrowings of $24.0 million related to mortgage-backed security assets sold in June 1999 but which settle in July 1999. Adjusting for the paydown of these borrowings upon settlement, cumulative interest rate sensitivity gap percentages for the periods presented would have been -51%, -32%, -31% and -14%, respectively.

In hedging the interest rate and exchange rate exposure of a foreign currency denominated asset or liability, the Company may enter into hedge transactions to counter movements in the different currencies as well as interest rates in those currencies. These hedges may be in the form of currency and interest rate swaps, options, and forwards, or combinations thereof.

The Company is a party to a five year swap in connection with its investment in real property in the UK. The notional amount is GBP 11,224,000 and has the financial impact of converting floating rate financing to a fixed rate of interest.

At March 31, 1999, the Company had a swap contract in connection with its investment in a commercial mortgage loan secured by real property in the U.K. The swap contract is intended to hedge the interest rate basis and currency exposure between UK Libor (the lending rate) and US Libor (the borrowing rate) payments, as well as the principal (notional) amount of the loan which, as of March 31, 1999, was $49.7 million. Under the terms of the agreement, the Company will settle in U.S. dollars. As previously discussed, this loan was sold on April 29, 1999 and, in connection therewith, this swap agreement was terminated.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

The registrant is not a party to any other material legal proceedings.

Item 2. Changes in Securities.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

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

No matter was submitted to a vote of security holders during the period covered by this report.

Item 5. Other Information.

Acquisition or Disposition of Assets

On April 29, 1999, the Company sold a loan secured by commercial properties in the United Kingdom with a carrying value of approximately $47.9 million at March 31, 1999. Proceeds from the sale were substantially used to repay a facility with Merrill Lynch Mortgage Capital for which this loan served as collateral. The pro forma effect on this loan sale is reported and attached hereto as Exhibit 99.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

11 Statement re Computation of Per Share Earnings
27 Financial Data Schedule
99 Pro Forma Financial Information - Narrative Format

(b) Reports on Form 8-K during the three months ended March 31, 1999:

(i) Report on Form 8-K/A dated April 20, 1998, filed January 11, 1999, containing pro forma financial

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information concerning an acquisition of real estate assets purchased from G.I. Joe's, Inc. on April 20, 1998 and reported under Item 2 of the Report on Form 8-K filed on September 29, 1998.

(ii) Report on Form 8-K/A dated June 30, 1998, filed January 11, 1999, containing pro forma financial information concerning an acquisition of real estate assets located in the United Kingdom purchased from various unaffiliated sellers on June 30, 1998 and reported under Item 2 of the Report on Form 8-K filed on September 29, 1998.

(iii) Report on Form 8-K/A dated July 30, 1998, filed January 11, 1999, containing revised financial statements and pro forma financial information concerning the purchase of a secured loan from Credit Suisse First Boston Mortgage Capital LLC on July 30, 1998 and reported under Item 2 of the Report on Form 8-K filed on September 29, 1998.

SIGNATURES

Pursuant to the requirements of the exchange act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wilshire Real Estate Investment Trust Inc.

By: /s/ Lawrence A. Mendelsohn

Lawrence A. Mendelsohn
President

By: /s/ Chris Tassos

Chris Tassos
Executive Vice President and Chief Financial Officer

Date: September 9, 1999

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EXHIBIT 11

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Quarter Ended March 31, 1999
Diluted net income per share:	
Net income to common shareholders	$ 1,767,000
Average number of shares outstanding	11,500,000
Net effect of dilutive stock options-based on treasury stock method	N/A
Total average shares	11,500,000
Diluted net income per share	$ 0.15

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
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TO SUCH FINANCIAL STATEMENTS.
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EXHIBIT 99

WILSHIRE REAL ESTATE INVESTMENT TRUST INC.
PRO FORMA FINANCIAL INFORMATION - NARRATIVE FORMAT

The unaudited pro forma financial information reflects the effect of the disposition of the assets along with the required pro forma adjustments. The unaudited pro forma financial information should be read in conjunction with the historical consolidated financial statements of WREIT, together with the related notes thereto, which were filed herewith on Form 10-Q for the period ended March 31, 1999.

On April 29, 1999, the Company sold a loan secured by commercial properties in the United Kingdom to an unrelated third party. The terms of the sale were determined through arm's-length negotiations between the Company and the purchaser. The loan had a carrying value of approximately $47.9 million at March 31, 1999. The loan earned interest at a LIBOR-based rate and matures in August 2003. A substantial amount of the proceeds from the sale were used to repay a repurchase facility with Merrill Lynch Mortgage Capital for which this loan served as collateral. This debt facility bore interest at LIBOR +125 bps and settled on a quarterly basis.

The pro forma effect of this transaction on the March 31, 1999 statement of financial condition would have resulted in a decrease in total assets from $341.8 million to $307.3 million and decrease in total liabilities from $263.4 million to $229.5 million. The decrease in total assets is the result of the sale of the loan's carrying value, offset in part by an increase in cash and cash equivalents. Liabilities decreased as a result of terminating the short-term financing on the assets sold.

The pro forma effect of this transaction on stockholders' equity as of March 31, 1999 would be a decrease from $78.4 million to $77.8 million. The $0.6 million decrease is due to the pro forma effect of adjusting retained earnings by $0.6 million for the interest income earned during the quarter ended March 31, 1999 on this loan, net of interest expense on the related borrowing.

Additionally, the pro forma effect to the historical statement of operations for the quarter ended March 31, 1999 includes the following:

- Decrease in interest income of $1.1 million and a decrease in interest expense of $0.5 million, which results in a decrease in net interest income of $0.6 million.

- Decrease in net income from $1.8 million, or $0.15 per share, to $1.2 million, or $0.10 per share.

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