**RESIDENTIAL LEASE AGREEMENT  
 This Lease Agreement ("Agreement") is entered into on October 3, 1997, by and between:  
 LESSOR: LTC Properties, Inc. ("Landlord")  
 LESSEE: Assisted Living Concepts, Inc. ("Tenant")  
 PROPERTY: The Landlord hereby leases to the Tenant the properties identified in *Exhibit A*, each improved with an assisted living facility, located in the various cities and states as set forth in the exhibit.**

### **TERM OF LEASE**

**The term of each lease shall commence upon the closing of each property acquisition by the Landlord and shall continue for an initial term of twelve (12) years, with two consecutive five-year renewal options for each group of properties ("Package") subject to conditions of co-termination.**

### **RENT**

**The Tenant agrees to pay the Landlord an annual Minimum Rent equal to 9.95% of the total acquisition cost for each property (including stabilization losses). Rent shall be paid monthly in advance, without demand or offset, beginning from the acquisition date of the respective property. Rent will be subject to annual adjustments as detailed in Exhibit B.**

### **SECURITY DEPOSIT**

**A separate Commitment Fee in the amount of $204,400.00 is paid via promissory note as security for closing the overall transaction. Portions of this fee are refundable upon successful closing of each sale/leaseback transaction.**

### **USE OF PREMISES**

**The premises shall be used and occupied solely for the operation of assisted living facilities, fully licensed as per state law. No business or commercial use beyond this scope is permitted.**

### **UTILITIES**

**The Tenant shall be responsible for all utilities and services, including but not limited to electricity, gas, water, sewer, trash removal, cable, and internet services.**

### **MAINTENANCE AND REPAIRS**

**The Tenant shall maintain the Facilities in good condition and repair, in compliance with all applicable legal and regulatory requirements. The Tenant shall bear all costs, including those related to licensing, permitting, and environmental compliance.**

### **ALTERATIONS**

**Tenant shall not make structural alterations or improvements without the prior written consent of the Landlord, except as required by licensing or legal compliance.**

### **PETS**

**Not applicable to this agreement due to commercial facility usage.**

### **SUBLETTING**

**The Tenant shall not sublet or assign the premises without prior written consent of the Landlord, except for:**

1. **Assignments to wholly-owned subsidiaries with proper guarantees.**
2. **Subleases not exceeding 2,000 sq. ft. or 10% of facility space for service-related operations.**

### **RIGHT OF ENTRY**

**The Landlord reserves the right to inspect each facility and property prior to and after lease commencement, subject to reasonable notice and timing.**

### **TERMINATION**

**Upon lease termination, the Tenant shall surrender the property in good condition, reasonable wear and tear excepted. Termination rights include failure to close by December 31, 1997, or default under lease terms.**

### **DEFAULT**

**Any uncured default in lease obligations, rent payment, or major financing agreements ($5M or more) may constitute cross-default across all leases. Liquidated damages and legal fees may apply in event of default.**

### **GOVERNING LAW**

**This Agreement shall be governed by the laws of the State of California.**

### **ENTIRE AGREEMENT**

**This Agreement, including Exhibits A and B, constitutes the entire agreement between the parties and supersedes all prior negotiations or agreements.**

### **SEVERABILITY**

**If any provision of this Agreement is held to be invalid, the remaining provisions shall remain in full force.**

### **ADDITIONAL TERMS AND CONDITIONS**

* **Triple Net Lease: Tenant bears all costs including taxes, insurance, utilities, and maintenance.**
* **Commitment Fee: Paid as promissory note; refunded as deals close.**
* **Indemnification: Tenant indemnifies Landlord for environmental, ADA, Fair Housing Act, and operational risks.**
* **Closing Deadline: All transactions must close by December 31, 1997.**

### **SIGNATURES**

**LANDLORD:  
 Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_  
 Print Name: Andre C. Dimitriadis (Chairman & CEO, LTC Properties, Inc.)**

**TENANT:  
 Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_  
 Print Name: Stephen Gordon (Chief Financial Officer, Assisted Living Concepts, Inc.)**

### **ACKNOWLEDGMENT**

**By signing above, both parties acknowledge that they have read, understood, and agree to be bound by all terms and conditions of this Lease Agreement.**