**RESIDENTIAL LEASE AGREEMENT  
 This Lease Agreement ("Agreement") is entered into on February 6, 1998, by and between:  
 LESSOR: LTC Properties, Inc. ("Landlord")  
 LESSEE: Assisted Living Concepts, Inc. ("Tenant")  
 PROPERTY: The Landlord hereby leases to the Tenant the residential property described in the Sale/Leaseback Agreements dated February 6, 1998, involving the facilities acquired and leased under such agreements.**

### **TERM OF LEASE**

**The lease term shall commence upon the closing date of each facility and shall remain in effect for twelve (12) years, with two (2) consecutive five-year renewal options subject to the terms of the Sale/Leaseback Agreement. The lease is a fixed-term lease.**

### **RENT**

**The Tenant agrees to pay the Landlord a Minimum Annual Rent equal to 9.9% of the Purchase Price for each facility. Rent is payable in equal monthly installments, due on the 1st of each month. Rent will be adjusted annually in accordance with the Lease Agreement.**

### **SECURITY DEPOSIT**

**A commitment fee is due at the time of agreement execution, which will be refunded proportionally upon closing. This fee secures the Tenant’s performance and is governed by the provisions of the Master Agreement dated October 3, 1997.**

### **USE OF PREMISES**

**The premises shall be used solely for the operation of assisted living facilities in accordance with all federal, state, and local regulations. Residential use shall comply with the definition of “assisted living” under applicable law.**

### **UTILITIES**

**The Tenant is solely responsible for all utility services, including but not limited to electricity, gas, water, sewer, trash removal, and internet/cable services.**

### **MAINTENANCE AND REPAIRS**

**The Tenant shall keep the premises in good and safe condition and comply with all legal and regulatory obligations. Repairs and ongoing maintenance are the sole responsibility of the Tenant.**

### **ALTERATIONS**

**No structural alterations or significant modifications may be made without the Landlord's prior written consent, except as required by licensing or state compliance requirements.**

### **PETS**

**This clause does not apply in the commercial/assisted living context unless specified in additional lease terms. Residential occupants must follow facility pet policies as determined by the Tenant.**

### **SUBLETTING**

**The Tenant may not assign or sublet any interest in the lease without prior written consent of the Landlord, with exceptions as permitted in the Master Lease (e.g., wholly-owned subsidiaries or operational subleases).**

### **RIGHT OF ENTRY**

**The Landlord retains the right to enter the premises for inspections, repairs, or prospective buyer viewings, provided reasonable notice is given, except in emergencies.**

### **TERMINATION**

**Upon lease termination, the Tenant shall vacate and return the premises in substantially the same condition as received, excluding normal wear and tear. Failure to close on or before March 31, 1998, or other default events may void the agreement.**

### **DEFAULT**

**Failure by the Tenant to perform any material obligation, including rent payment or legal compliance, shall constitute default. Remedies include lease termination and recovery of damages. Cross-default provisions with other facilities may apply.**

### **GOVERNING LAW**

**This Agreement shall be governed by the laws of the State of California, regardless of the state in which the property is located.**

### **ENTIRE AGREEMENT**

**This Agreement incorporates and supersedes all prior negotiations and constitutes the entire understanding between the parties regarding the leased property.**

### **SEVERABILITY**

**If any clause of this Agreement is found to be unenforceable, the remaining provisions shall continue in full force and effect.**

### **ADDITIONAL TERMS AND CONDITIONS**

* **Lease execution and funding governed by terms of the Master Agreement dated October 3, 1997**
* **Commitment fee refunded upon successful closings**
* **All lease terms and rent adjustments as described in the Lease Documents and Exhibits A & B**
* **The agreement covers three additional facilities subject to the same terms as previously agreed upon**

### **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.**