

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20459

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 September 30, 1997

OR

☐ [] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from ____ to ____

Commission file number 1-11314

LTC PROPERTIES, INC.
(Exact name of Registrant as specified in its charter)

Maryland 71-0720518
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No)

300 Esplanade Drive, Suite 1860
Oxnard, California 93030
(Address of principal executive offices)

(805) 981-8655
(Registrant's telephone number, including area code)

Indicate by check mark whether Registrant (1) has filed all reports 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 Registrant was required to
file such reports), and (2) has been subject to such filing requirements for the
past 90 days.

Yes ☒ X No ☐ ___
-

Shares of Registrant's common stock, \$.01 par value, outstanding at November 5,
1997 -24,896,621

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LTC PROPERTIES, INC.

FORM 10-Q/A

SEPTEMBER 30, 1997

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LTC PROPERTIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	September 30, 1997	December 31, 1996
	<C>	<C>
		(Audited) (Restated)
ASSETS		
Real Estate Investments:		
Buildings and improvements, net of accumulated depreciation and amortization: 1997 - \$17,475; 1996 - \$11,640	\$295,194	\$199,591
Land	16,670	12,347
Mortgage loans receivable, held for sale, net of allowance for doubtful accounts: 1997 - \$1,000; 1996 - \$1,000	239,574	177,262
REMIC Certificates, at estimated fair value	87,744	98,934
	-----	-----
Real estate investments, net	639,182	488,134
Other Assets:		
Cash and cash equivalents	1,398	3,148
Debt issue costs, net	2,428	4,150
Interest receivable	3,529	2,817
Prepaid expenses and other assets	8,432	2,289
	-----	-----
	15,787	12,404
	-----	-----
Total assets	\$654,969	\$500,538
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Convertible subordinated debentures due 1999 - 2004	\$ 92,273	\$135,828
Bank borrowings	130,687	79,400
Mortgage loans and notes payable	56,810	54,205
Bonds payable and capital lease obligations	13,900	14,039
Accrued interest	5,562	6,015
Accrued expenses and other liabilities	5,223	3,041
Distributions payable	610	6,679
	-----	-----
Total liabilities	305,065	299,207
Minority interest	10,242	10,528
Commitments		
Stockholders' equity:		
Preferred stock: aggregate liquidation amount of \$77,000,000, 10,000,000 shares authorized, shares issued and outstanding: 1997 - 3,080,000; 1996 - none	73,800	-
Common stock: \$0.01 par value; 40,000,000 shares authorized; shares issued and outstanding: 1997 - 24,856,193; 1996 - 19,484,208	249	195
Capital in excess of par value	281,332	195,297
Notes receivable from stockholders	(7,648)	-
Cumulative net income	97,748	71,914
Cumulative distributions	(105,819)	(76,603)
	-----	-----
Total stockholders' equity	339,662	190,803
	-----	-----
Total liabilities and stockholders' equity	\$654,969	\$500,538
	=====	=====

</TABLE>

See accompanying notes

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LTC PROPERTIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	1997	1996	1997	1996
	<C>	(Restated) <C>	<C>	(Restated) <C>
Revenues:				
Rental income	\$ 8,211	\$ 5,712	\$22,086	\$14,773
Interest income from mortgage loans	6,682	4,137	19,170	12,969
Interest income from REMIC Certificates	3,355	3,867	10,802	10,654

Interest and other income	561	576	1,353	1,179
	-----	-----	-----	-----
Total revenues	18,809	14,292	53,411	39,575
Expenses:				
Interest expense	6,126	5,501	17,465	14,990
Depreciation and amortization	2,403	1,690	6,547	4,436
Amortization of Founders' stock	-	19	31	95
Minority interest	307	325	901	597
Operating and other expenses	856	1,139	2,801	2,767
	-----	-----	-----	-----
Total expenses	9,692	8,674	27,745	22,885
	-----	-----	-----	-----
Operating income	9,117	5,618	25,666	16,690
Other Income:				
Unrealized holding gain on changes in estimated fair value of REMIC Certificates	257	18	57	5,683
Other income, net	-	-	111	-
	-----	-----	-----	-----
Total other income	257	18	168	5,683
	-----	-----	-----	-----
Net income	9,374	5,636	25,834	22,373
Preferred dividends	1,829	-	4,084	-
	-----	-----	-----	-----
Net income available to common stockholders	\$ 7,545	\$ 5,636	\$21,750	\$22,373
	=====	=====	=====	=====
Net income available to common stockholders per share	\$ 0.32	\$ 0.29	\$ 0.94	\$ 1.18
	=====	=====	=====	=====
Weighted average shares outstanding	23,895	19,296	23,171	19,033
	=====	=====	=====	=====

</TABLE>

See accompanying notes

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<TABLE>
<CAPTION>

LTC PROPERTIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

September 30, 1996	Nine Months Ended 1997	
-----	-----	
CASH FLOWS FROM OPERATING ACTIVITIES: (Restated)		
<S>	<C>	<C>
Net Income	\$ 25,834	\$
22,373		
Adjustments to reconcile net income to net cash provided by operating results		
Depreciation and amortization	6,578	
4,531		
Unrealized holding gain on changes in estimated fair value of REMIC certificates	(57)	
(5,683)		
Gain on sale of REMIC Certificates	(1,231)	
-		
Expense relating to vesting of restricted stock	1,120	
-		
Non-cash charges	1,578	
1,366		
Net change in other assets and liabilities	(1,679)	
(123)		
-----	-----	-
Net cash provided by operating activities	32,143	

22,464

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of preferred stock, net	73,800	
-		
Proceeds from issuance of common stock, net	35,444	
-		
Proceeds from issuance of convertible debentures	-	
60,000		
Debt issue costs		
(2,113)		
Borrowings under the lines of credit	246,532	
166,700		
Repayments of bank borrowings	(195,245)	
(177,170)		
Repurchase of common stock	-	
(1,831)		
Distributions paid	(35,285)	
(18,036)		
Other	(649)	
(105)		

Net cash provided by financing activities	124,597	
27,445		

CASH FLOWS USED IN INVESTING ACTIVITIES:

Investment in real estate mortgages	(74,832)	
(72,565)		
Acquisitions of real estate properties, net	(99,792)	
(77,048)		
Proceeds from sale of REMIC Certificates	11,811	
86,674		
Proceeds from sale of real estate properties	-	
7,589		
Principal payments on mortgage loans payable and capital lease obligations	(2,558)	
(3,689)		
Restricted cash	-	
8,300		
Principal payments on mortgage loans receivable	6,701	
2,025		
Other	180	
(208)		

Net cash used in investing activities	(158,490)	
(48,922)		

Increase (decrease) in cash and cash equivalents	(1,750)	
987		
Cash and cash equivalents, beginning of period	3,148	
1,434		

Cash and cash equivalents, end of period	\$ 1,398	\$
2,421		

=====

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid	\$ 16,938	\$
14,333		

=====		
Non-cash investing and financing transactions:		
Conversion of debentures into common stock	\$ 43,555	\$
16,798		
Notes receivable relating to exercise of employee stock options	7,774	
-		
Conversion of mortgage loans to owned properties	15,831	
-		
Assumption of mortgage loans payable for acquisitions of real estate properties	-	
9,641		
Exchange of mortgage loans for REMIC Certificates	-	
80,962		
Issuance of mortgage loans payable for REMIC Certificates	-	
31,525		
Minority interest related to acquisitions of real estate properties	-	
8,932		

</TABLE>

See accompanying notes

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

1. GENERAL

The condensed consolidated financial statements included herein have been prepared by LTC Properties, Inc. (the "Company") without audit and in the opinion of management, include all adjustments necessary for a fair presentation of the results of operations for the nine months ended September 30, 1997 and 1996 pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and controlled partnerships. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures in the accompanying financial statements are adequate to make the information presented not misleading. The results of operations for the nine months ended September 30, 1997 and 1996 are not necessarily indicative of the results for a full year.

The Company has securitized portions of its mortgage loan portfolio and retained a portion of the resulting REMIC Certificates to hold as long-term investments. Historically, the Company has accounted for its REMIC Certificate investments at amortized cost and provided fair value disclosures because of the highly specialized nature of the collateral underlying the REMIC Certificates, the lack of marketability of the Certificates and the Company's intent and investment posture to hold its real estate investments for long-term purposes. Moreover, the Company believes that the fair value accounting provisions of Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"), which require the recognition of unrealized gains or losses resulting from temporary changes in the fair value of originated mortgage-backed securities (the REMIC Certificates) that are retained by the Company may reflect equity or earnings in the Company's financial statements that may not be ultimately realized and portray a level of liquidity with respect to its REMIC Certificates that may not exist. Furthermore, the Company believed that the accounting literature supported the accounting for the REMIC Certificates at amortized cost. However, after reconsideration following discussions with the Staff of the Securities and Exchange Commission, the Company decided to restate its financial statements and adopt the fair value accounting provisions of SFAS 115 as opposed to the amortized cost accounting the Company believed applicable under SFAS 115. The fair value accounting provisions require the recognition in earnings of temporary changes in the fair values of the Company's REMIC Certificates investments, irrespective of the Company's reservations about the realizability of such earnings. Accordingly, previously filed financial statements have been restated to reflect the adjustment to fair value of the Company's REMIC Certificate investments. As a result, net income increased (decreased) by \$1,872,000 (\$0.12 per share), (\$1,656,000) (\$0.09 per share) and \$6,173,000 (\$0.32 per share) for the years ended December 31, 1994, 1995 and 1996, respectively. The cumulative impact on stockholders' equity as of December 31, 1996 was an increase of \$6,389,000. For the three and nine months ended September 30, 1996, net income increased by \$18,000 (\$0.00 per share) and \$5,683,000 (\$0.30 per share), respectively.

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LTC PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

No provision has been made for federal income taxes. The Company qualifies as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. As such, the Company is not taxed on its income which is distributed to its stockholders.

2. REAL ESTATE INVESTMENTS

In 1997, the Company's Board of Directors authorized an increase in the Company's investment in assisted living facilities ("ALFs") from 20% to 30% of its adjusted gross real estate investment portfolio (adjusted to include the mortgage loans to third parties underlying the \$87,744,000 investment in REMIC Certificates). In addition, the Board of Directors also authorized an increase in the Company's investment in properties operated by Assisted Living Concepts, Inc. ("ALC") to 20% of its adjusted gross real estate

investment portfolio (which was approximately \$783,467,000 as of September 30, 1997).

As of September 30, 1997, the Company had investments in ALFs and in properties operated by ALC of approximately \$175,414,000 and \$110,137,000, respectively or 22.4% and 14.1%, respectively, of the Company's total adjusted gross real estate investment portfolio.

MORTGAGE LOANS

During the nine months ended September 30, 1997, the Company invested \$74,832,000 in mortgage loans. Approximately \$55,740,000 of these loans are secured by, among other things, 22 skilled nursing facilities located in 10 states with a total of 2,274 beds. These mortgage loans contain certain guarantees and individually range from \$1,000,000 to \$10,000,000 in principal amount, have stated maturities of 10 to 20 years, initial interest rates ranging from 9.75% to 11.57% and generally have 25 year amortization schedules. The remaining \$19,092,000 of mortgage loans are secured by 14 ALFs located in four states with a total of 564 units. Of the total loans secured by ALFs, approximately \$14,510,000 in loans bearing interest at 10.14% and secured by mortgages on seven ALFs were made to ALC, a developer-owner and operator of ALFs. ALC repaid these loans subsequent to September 30, 1997. Also included in the mortgage loans secured by ALFs was \$1,292,000 of additional financing on ALFs under construction.

Subsequent to September 30, 1997, the Company completed investments in mortgage loans of \$10,752,000 which includes a net reduction of \$1,073,000 in construction loans.

OWNED PROPERTIES

During the nine months ended September 30, 1997, the Company acquired six skilled nursing facilities with a total of 463 beds and 27 ALFs with a total of 1,085 units for approximately \$71,289,000. Included in this amount were three skilled nursing facilities purchased for \$3,100,000 on which the Company had a first mortgage loan of \$2,798,000 and three ALFs purchased for \$7,059,000 which were previously financed with construction loans of \$6,483,000. The Company also added 36 beds to one of its owned skilled nursing facilities at a total cost of approximately \$1,693,000 and nine units to one of its ALFs for \$450,000. In addition, during the second quarter of 1997, the Company converted \$26,360,000 of mortgage loans secured by ALFs into owned properties through sale lease-back transactions with ALC with total initial annual rent

LTC PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

of approximately \$2,604,000. Eleven of the ALFs purchased for a total of \$28,055,000 have been leased to ALC for total initial annual rent of approximately \$2,801,000 pursuant to long-term non-cancelable agreements.

Subsequent to September 30, 1997, the Company completed investments in owned properties of \$11,237,000.

REMIC CERTIFICATES

As of September 30, 1997, the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC Certificates (all held by outside third parties) was \$192,632,000 and 7.87%. As of September 30, 1997, the unamortized cost and the estimated fair value of the subordinated REMIC Certificates held by the Company was \$81,298,000 and \$87,744,000, respectively.

COMMITMENTS

As of November 6, 1997, the Company had outstanding commitments aggregating approximately \$199,674,000. Included in these amounts were commitments to ALC for approximately \$63,070,000, Home and Community Care, Inc. ("HCI") for \$49,214,000 and Carriage House Assisted Living, Inc. ("Carriage") for \$6,380,000. Commitments of \$49,214,000 to HCI and \$50,000,000 to ALC are due to expire in 1999 and 2000, respectively.

3. OTHER ASSETS

HCI was formed to own, operate and develop assisted living residences and to provide home health and hospice care services. As of September 30, 1997, the Company owned 2,000,000 shares of non-voting common stock of HCI which it acquired for \$5,000,000 in the form of a demand note. As of September 30, 1997, \$2,068,000 of the demand note had been funded. The remaining \$2,932,000 due under the demand note was funded subsequent to September 30, 1997.

Subsequent to September 30, 1997, HCI declared and paid a distribution representing a return of investment equal to \$2.50 per share of outstanding common stock which resulted in the Company receiving back its initial investment of \$5,000,000. Following the payment of the distribution, ALC agreed to acquire all of the outstanding common stock of HCI for \$1.00 per share which will result in the Company receiving \$2,000,000. As part of the acquisition, the Company may receive future payments equal to approximately \$3,000 per unit for up to 708 units that were under development by HCI as of the date of the acquisition. As a result of the acquisition, certain officers of the Company ended their employment with the Company to become employees of ALC and the Company accelerated the vesting of certain benefits for these departing employees.

In September 1996, the Company received a 9.9% interest (990 shares) in Carriage, a privately-held corporation that develops, sells, leases and operates ALFs. LTC received its interest in Carriage in return for its commitment to provide construction financing for the first five facilities developed by Carriage in Nebraska, and LTC's further commitment to provide permanent financing on the first ten facilities developed by Carriage through the completion of sale/leaseback transactions. Subsequent to September 30, 1997, ALC agreed to acquire all of the outstanding common stock of Carriage at an exchange rate of 31.16 shares of ALC for each share

LTC PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

of Carriage. In connection with this acquisition, the Company received 30,850 shares of unregistered shares of ALC restricted common stock. The Company anticipates these shares will be registered and freely tradable during the first quarter of 1998.

4. DEBT OBLIGATIONS

BANK BORROWINGS

In August 1997, the Company obtained a 90 day \$10,000,000 bank loan at LIBOR plus 3%. In September 1997, the Company obtained an additional 45 day \$10,000,000 bank loan at LIBOR plus 3%. As of September 30, 1997, the Company also had \$81,142,000 outstanding under its repurchase agreement secured by mortgages loans and \$29,545,000 outstanding under its unsecured revolving credit agreement.

On October 3, 1997, all amounts outstanding under the 90 day bank loan, the 45 day bank loan, the repurchase agreement and the unsecured revolving credit agreement were refinanced with a \$170,000,000 Senior Unsecured Revolving Line of Credit (the "Revolving Credit Facility") which expires on October 3, 2000. The Revolving Credit Facility pricing varies between LIBOR plus 1.25% and LIBOR plus 1.5% depending on the Company's leverage ratio. Currently the pricing is LIBOR plus 1.375%. The Revolving Credit Facility contains financial covenants including, but not limited to, maximum leverage ratios, minimum debt service coverage ratios, cash flow coverage ratios and minimum consolidated tangible net worth.

CONVERTIBLE SUBORDINATED DEBENTURES

During the nine months ended September 30, 1997, holders of \$43,555,000 in principal amount of convertible subordinated debentures elected to convert the debentures into 2,699,519 shares of common stock at prices ranging from \$10.00 to \$17.25 per share. Subsequent to September 30, 1997, an additional \$320,000 in principal amount of convertible subordinated debentures converted into 21,028 shares of the Company's common stock at prices ranging from \$15.00 to \$16.50 per share.

5. STOCKHOLDERS EQUITY

ISSUANCE OF STOCK

During the first quarter of 1997, the Company completed two public offerings. In January 1997, the Company completed the sale of 1,000,000 shares of common stock in a public offering at \$17.75 per share which resulted in net proceeds of \$17,349,000. In March 1997, the Company sold 3,080,000 shares of 9.5% Series A Cumulative Preferred Stock ("Series A Preferred Stock") which resulted in net proceeds of \$73,800,000. Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable monthly, commencing April 15, 1997, to stockholders of record on the first day of each month at the rate of 9.5% per annum of the \$25 liquidation preference per share (equivalent to a fixed amount of \$2.375 per share). The Series A Preferred Stock is not redeemable prior to April 1, 2001, except in certain circumstances relating to preservation of the Company's qualification as a REIT.

On April 24, 1997, the Company filed a shelf registration statement with the Securities and Exchange Commission covering up to \$150,000,000 of debt and

equity securities to be sold from time to time in the future. The registration statement was declared effective on May 6, 1997.

LTC PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

During the third quarter of 1997, the Company completed the sale of 1,000,000 shares of common stock in a public offering which generated net proceeds of \$18,095,000.

The net proceeds from these offerings were used to repay short-term borrowings outstanding under the Company's lines of credit.

NOTES RECEIVABLE FROM STOCKHOLDERS

In March 1997, the Board of Directors adopted a loan program designed to encourage executives, key employees, consultants and directors to acquire common stock through the exercise of options. Under the program, the Company will make full recourse, secured loans to participants equal to the exercise price of vested options plus up to 50% of the taxable income resulting from the exercise of options. Such loans will bear interest at the then current Applicable Federal Rate and are payable in installments over nine years. For the first five years the principal due each quarter will be equal to 50% of the difference between the cash dividends received on the shares purchased and the quarterly interest due. In addition, 25% of cash bonuses received by the borrower must be used to reduce the principal balance. The loans will convert to fully amortizing loans with 16 quarterly payments beginning in year six. Unless the Board of Directors approves otherwise, loans must be repaid within 90 days after termination of employment for any reason, other than in connection with a change in control of the Company. In 1997, the Company's management, consultants and directors purchased 585,166 of the Company's common stock under the loan program. At September 30, 1997, the remaining loan amounts available and the loans outstanding of \$617,000 and \$7,648,000, respectively, bear interest at rates ranging from 6.27% to 6.63% per annum and are secured by a pledge of the shares of common stock acquired through the exercise of options. The market value of the common stock securing these loans was \$11,118,000 at September 30, 1997.

6. DISTRIBUTIONS

During the three months ended September 30, 1997, the Company declared and paid cash dividends on the Series A Preferred Stock totaling \$1,829,000. During the nine months ended September 30, 1997, for its Series A Preferred Stock, the Company declared and paid cash dividends totaling \$4,084,000 and \$3,474,000, respectively. Dividends declared on the Series A Preferred Stock represent a partial period dividend of \$.1385 per share for the period from March 10, 1997 through March 31, 1997 and the regular monthly dividend of \$.1979 per share for subsequent periods.

During the three months ended September 30, 1997, the Company declared and paid cash dividends on its common stock totaling \$8,897,000. During the nine months ended September 30, 1997, for its common stock, the Company declared and paid cash dividends totaling \$25,132,000 and \$31,811,000, respectively. Dividends declared on the Company's common stock represent the regular quarterly dividend of \$.34 per share for the quarter ended March 31, 1997 and \$.365 per share for the quarters ended June 30 and September 30, 1997.

LTC PROPERTIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

7. OTHER INCOME, NET

In June 1997, the Company sold \$11,811,000 face amount of its REMIC Certificates recognizing a gain of approximately \$1,231,000. Also in June 1997, the Company recognized \$1,120,000 of expense resulting from the accelerated vesting of 64,000 shares of restricted common stock held by executives, certain management and non-employee directors of the Company.

8. EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings Per Share ("SFAS No. 128") which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings

per share, the dilutive effect of stock options will be excluded. Adoption of SFAS No. 128 would have resulted in no change in primary earnings per share for the three months ended September 30, 1997, an increase of \$0.01 for the three months ended September 30, 1996 and an increase of \$0.01 and \$0.02 for the nine months ended September 30, 1997 and 1996, respectively. The impact of Statement No. 128 on the calculation of fully diluted earnings per share for these periods is not expected to be material.

9. INTEREST RATE SWAP AGREEMENTS

In July 1996, the Company provided a \$50,180,000 commitment to purchase ALFs through sale leaseback transactions with ALC. In connection with the commitment, in November 1996, the Company entered into a one year forward ten year interest rate swap agreement (the "Agreement"). Under the Agreement, the Company was credited interest at three month LIBOR and incurred interest at a fixed rate of 6.835% on a \$40,000,000 notional amount beginning on November 7, 1997. On March 10, 1997, the Agreement was terminated concurrently with the completion of the equity offerings discussed in Note 5 and the Company recognized interest income of approximately \$440,000.

In September 1995, the Company entered into a seven year forward interest rate swap agreement which is scheduled to be settled on November 17, 1997. Under this agreement, the Company was credited interest at the six month LIBOR and incurred interest at a fixed rate of 6.655% on a notional amount of \$60,000,000. In August 1997, the Company entered into a Treasury lock agreement which is scheduled to be settled by December 15, 1997. Under this agreement, the Company locked into a rate of 6.39% on the seven year Treasury Note Rate on a notional amount of \$65,000,000. Upon settlement of the Treasury lock agreement the Company will either receive or make a payment based on the change in the seven year Treasury Note Rate. These agreements which are accounted for as hedges were made in connection with an anticipated securitization to be completed in 1998 and will be extended until the consummation of the transaction therefore, any associated gains or losses will be included as a component of the fair value of the assets received in the transaction. At September 30, 1997, the Company had a total unrealized loss of \$1,761,000 on these agreements.

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LTC PROPERTIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATING RESULTS

NINE MONTHS 1997 COMPARED TO NINE MONTHS 1996

Revenues for the nine months ended September 30, 1997 increased approximately 35% to \$53,411,000 from \$39,575,000 for the same period in 1996. The increase in revenues resulted from increased rental income of \$7,313,000, increased interest income on mortgage loans of \$5,761,000 and interest income of \$440,000 from the termination of an interest rate swap agreement. Rental income increased \$4,768,000 as a result of property acquisitions completed since September 30, 1996 and \$2,547,000 due to the inclusion of rental revenue for a full nine months in 1997 for properties acquired during 1996. "Same-store" rents increased \$306,000 due to the receipt of contingent rents and rental increases as provided for in the lease agreements. Partially offsetting the increase in rental income was a decrease of \$308,000 resulting from the sale of properties in 1996. The increase in mortgage interest income resulted from the higher mortgage investment base in 1997 compared to 1996. The overall increase in mortgage interest income was mitigated by a decrease of approximately \$2,200,000 related to the securitization of mortgages in a REMIC transaction in March 1996. Interest income from REMIC Certificates increased as a result of the third securitization transaction which closed in March 1996.

Total expenses for the nine months ended September 30, 1997 were 52% of net revenues compared to 58% for the same period in 1996. The decrease is due in large part to a reduction in interest expense as a percent of net revenues. The reduction in interest expense is primarily the result of conversions of subordinated debentures and the utilization of equity to fund financing activities in 1997. Depreciation and amortization expense as a percent of rental income remained flat at 30%.

Other income decreased due to an increase in the estimated fair value of REMIC Certificates which resulted in an unrealized gain of \$5,683,000 during the prior period as compared to the current period's unrealized gain of \$57,000. Also contributing to the decrease in the current period was \$1,120,000 of expense the Company recognized in connection with the accelerated vesting of 64,000 shares of restricted common stock held by executives, certain management and non-employee directors of the Company. This decrease was offset by gain of \$1,231,000 recognized on the sale of one of the Company's rated REMIC certificates in June 1997. The sale of the certificate also reduced the amount

of the unrealized gain on the REMIC for the nine months ended September 30, 1997. On an overall basis, the REMIC Certificates' estimated fair value was approximately \$545,000 higher at September 30, 1997 than at September 30, 1996.

During the nine months ended September 30, 1997, the Company declared dividends of \$4,084,000 on its Series A Cumulative Preferred Stock issued in March 1997.

As a result of the changes in revenues and expenses discussed above, net income available to common shareholders decreased \$623,000 to \$21,750,000 for the nine months ended September 30, 1997 from \$22,373,000 for the same period in 1996.

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LTC PROPERTIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

THIRD QUARTER 1997 COMPARED TO THIRD QUARTER 1996

Revenues for the three months ended September 30, 1997 increased \$4,517,000 to \$18,809,000 from \$14,292,000 for the same period in 1996. The increase in revenues resulted from increased rental income of \$2,499,000 and interest income on mortgage loans of \$2,545,000. Rental income increased \$2,442,000 as a result of property acquisitions completed since September 30, 1996. "Same-store" rents increased \$181,000 due to the receipt of contingent rents and rental increases as provided for in the lease agreements. Partially offsetting the increases in rental income was a decrease of \$124,000 resulting from the sale of properties. The increase in mortgage interest income resulted from the higher mortgage investment base in 1997 compared to 1996. Interest income from REMIC Certificates decreased as a result of the sale of \$11,811,000 face amount of REMIC Certificates in June 1997.

Total expenses for the three months ended September 30, 1997 were 52% of net revenues compared to 61% for the same period in 1996. The decrease is due in large part to a reduction in interest expense as a percent of net revenues. The reduction in interest expense is primarily the result of conversions of subordinated debentures and the utilization of equity to fund financing activities in 1997. Depreciation and amortization expense as a percent of rental income remained relatively flat at 29% for 1997 compared to 30% for 1996.

Other income increased primarily as a result of the effect of a higher unrealized gain on changes in the fair value of the REMIC Certificates for the current period as compared to that of the prior period. On an overall basis, the REMIC Certificates' estimated fair value was approximately \$545,000 higher at September 30, 1997 than at September 30, 1996.

During the three months ended September 30, 1997, the Company declared dividends of \$1,829,000 on its Series A Cumulative Preferred Stock issued in March 1997.

As a result of the changes in revenues and expenses discussed above, net income available to common shareholders increased \$1,909,000 to \$7,545,000 for the three months ended September 30, 1997 from \$5,636,000 for the same period in 1996.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1997, the Company's real estate investment portfolio consisted of approximately \$329,339,000 invested in owned skilled nursing and assisted living facilities (before accumulated depreciation of \$17,475,000), approximately \$240,574,000 invested in mortgage loans (before allowance for doubtful accounts of \$1,000,000) and approximately \$87,744,000 invested in REMIC Certificates. The Company's portfolio consists of 262 skilled nursing facilities and 83 assisted living facilities in 33 states.

During the nine months ended September 30, 1997, the Company completed approximately \$174,624,000 in new investments. The investments which closed consisted of approximately \$74,832,000 in mortgage loans and approximately \$99,792,000 in owned properties. The Company financed its investments through the sale of 2,000,000 shares of common stock in public offerings at

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LTC PROPERTIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

prices ranging from \$17.75 to \$18.50 per share, the sale of 3,080,000 shares of 9.5% Series A Cumulative Preferred Stock at \$25.00 per share, short-term borrowings and cash on hand.

In September 1995, the Company entered into a seven year forward interest rate swap agreement which is scheduled to be settled on November 17, 1997. Under this agreement, the Company was credited interest at the six month LIBOR and incurred interest at a fixed rate of 6.655% on a notional amount of \$60,000,000. In August 1997, the Company entered into a hedge agreement which is scheduled to be settled by December 15, 1997. Under this agreement, the Company locked into a rate of 6.39% on the seven year Treasury Note Rate on a notional amount of \$65,000,000. These agreements were made in connection with an anticipated REMIC to be completed in 1998 and will be extended until the consummation of the REMIC transaction therefore, any associated gains or losses will be included as a component of the fair market value of the assets received in the transaction. At September 30, 1997, the Company had a total unrealized loss of \$1,761,000 on these agreements.

During the third quarter of 1997, the Company obtained a 45 day \$10,000,000 bank loan and a 90 day \$10,000,000 bank loan at LIBOR plus 3%. As of September 30, 1997, the Company also had \$81,142,000 outstanding under its repurchase agreement secured by mortgages loans and \$29,545,000 outstanding under its unsecured revolving credit agreement. On October 3, 1997, all amounts outstanding under the 90 day bank loan, the 45 day bank loan, the repurchase agreement and the unsecured revolving credit agreement were refinanced with a \$170,000,000 Senior Unsecured Revolving Line of Credit (the "Revolving Credit Facility") which expires on October 3, 2000. The Revolving Credit Facility pricing varies between LIBOR plus 1.25% and LIBOR plus 1.5% depending on the Company's leverage ratio. Currently the pricing is LIBOR plus 1.375%. The Revolving Credit Facility contains financial covenants including, but not limited to, maximum leverage ratios, minimum debt service coverage ratios, cash flow coverage ratios and minimum consolidated tangible net worth. As of November 6, 1997, the Company had \$134,500,000 in borrowings outstanding under its Revolving Credit Facility.

The Company has the option to redeem, without penalty, its outstanding \$639,000 aggregate principal amount of 9.75% Convertible Subordinated Debentures at any time. Since such debentures are convertible into common stock of the Company at a conversion price of \$10.00 per share, the Company anticipates that substantially all of such debentures will be converted if it elects to redeem the debentures.

Subsequent to September 30, 1997, the Company completed investments totaling \$21,989,000. As of November 6, 1997, the Company had outstanding commitments aggregating approximately \$199,674,000. Included in these amounts were commitments to Assisted Living Concepts for approximately \$63,070,000, Home and Community Care, Inc. for \$49,214,000 and Carriage House Assisted Living, Inc. for \$6,380,000. Commitments of \$49,214,000 to HCI and \$50,000,000 to ALC are due to expire in 1999 and 2000, respectively.

At November 6, 1997, the Company had approximately \$131,675,000 available under its shelf registration statement for future issuance of capital from time to time.

As of September 30, 1997, the outstanding certificate principal balance and the weighted average pass-through rate for the senior REMIC Certificates (all held by outside third parties) was

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LTC PROPERTIES, INC.

MANAGEMENTS'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

\$192,632,000 and 7.87%. As of September 30, 1997, the unamortized cost and the estimated fair value of the subordinated REMIC Certificates held by the Company was \$81,298,000 and \$87,744,000, respectively. As of September 30, 1997, no REMIC Certificates had been deemed impaired.

The REMIC Certificates retained by the Company are subordinate in rank and right of payment to the certificates sold to third-party investors and as such would bear the first risk of loss in the event of an impairment to any of the underlying mortgages. The returns on the Company's investment in REMIC Certificates are subject to certain uncertainties and contingencies including, without limitation, the level of prepayments, estimated future credit losses, prevailing interest rates, and the timing and magnitude of credit losses on the underlying mortgages collateralizing the securities that are a result of the general condition of the real estate market or long-term care industry. As these uncertainties and contingencies are difficult to predict and are subject to future events that may alter management's estimations and assumptions, no assurance can be given that current yields will not vary significantly in future

periods. To minimize the impact of prepayments, the mortgage loans underlying the REMIC Certificates generally prohibit prepayment unless the property is sold to an unaffiliated third party (with respect to the borrower). Additionally, management believes it employs conservative underwriting policies and to date there have been no credit losses on any of the mortgages underlying the certificates nor are any credit losses currently anticipated.

The REMIC Certificates' fair values are estimated, in part, based on a spread over the applicable U.S Treasury rate, and consequently, are inversely affected by increases or decreases in such interest rates. There is no active market in these securities from which to readily determine their value. The estimated fair values of both classes of Certificates are subject to change based on the estimate of future prepayments and credit losses, as well as fluctuations in interest rates and market risk. Since many of these factors are difficult to predict and are beyond the control of the Company's management, changes in the reported fair values may vary widely and may not be indicative of amounts immediately realizable if the Company was forced to liquidate any of the Certificates.

The Company believes that its current cash from operations available for distribution or reinvestment, its borrowing capacity, the pending REMIC transaction, and the Company's ability to access the capital markets are available to provide for payment of its operating costs, provide funds for distribution to its stockholders and to fund additional investments. The Company is considering various alternatives to raise funds to finance future investments.

STATEMENT REGARDING FORWARD LOOKING DISCLOSURE

Certain information contained in this report includes forward looking statements, which can be identified by the use of forward looking terminology such as "may", "will", "expect", "should" or comparable terms or negatives thereof. 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, government policy relating to the health care industry including changes in reimbursement levels under the Medicare and Medicaid programs, changes in reimbursement by other third party payors, the financial strength of the operators of the Company's facilities as it affects the continuing ability of such operators to meet their obligations to the Company under the terms of the Company's agreements with its borrowers and operators, the amount

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LTC PROPERTIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(CONTINUED)

and the timing of additional investments, access to capital markets and changes in tax laws and regulations affecting real estate investment trusts.

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PART II

LTC PROPERTIES, INC.

OTHER INFORMATION

SEPTEMBER 30, 1997

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- | | |
|------|--|
| 10.1 | Promissory note dated September 18, 1997 for \$10,000,000 between LTC Properties, Inc. and The Sumitomo Bank, Limited |
| 10.3 | Agreement and Plan of Merger and Reorganization dated October 4, 1997 between Assisted Living Concepts, Inc. and Home and Community Care, Inc. |
| 11 | Computation of earnings per share |
| 27 | Financial Data |

In accordance with Item 601(b)(4)(iii) of Regulation S-K, certain instruments pertaining to Registrant's long-term debt have not been filed; copies thereof will be furnished to the Securities and Exchange Commission upon request.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed by the Company during the three months ended September 30, 1997.

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SIGNATURES

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

LTC PROPERTIES, INC.
Registrant

Dated: December 5, 1997

By: /s/ JAMES J. PIECZYNSKI

James J. Pieczynski
President and Chief Financial Officer

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PROMISSORY NOTE

\$10,000,000

Los Angeles, California
September 18, 1997

For value received, LTC Properties, Inc. (the "Company") unconditionally promises to pay to the order of The Sumitomo Bank, Limited (the "Bank"), at its office located at 233 Wacker Drive, Suite 5400, Chicago, Illinois 60606, the principal amount of TEN MILLION DOLLARS (\$10,000,000.00) on October 31, 1997 (the "Maturity Date"); provided, however that this Note shall

become immediately due and payable upon (i) the occurrence of any of the events set forth in Section 9 of the Second Amended and Restated Revolving Credit Agreement dated as of May 21, 1996 among the Company, the Bank, Sanwa Bank California, as agent, and the banks party thereto (as amended, the "Credit

Agreement"), each of the terms of which Section 9 are hereby incorporated herein

mutatis mutandis, (ii) the filing by, or against, the Company of any petition

for protection under the United States Bankruptcy Code, or any similar statute, (iii) the effective date of any credit agreement (other than the Credit Agreement) entered into by the Company and financial institutions including Sanwa Bank California as agent and the Bank, or (iv) the forty-fifth day after the date on which the first loan evidenced hereunder was made.

Capitalized terms shall have the meanings assigned to such terms in Annex I to this Note.

The Company promises to pay interest on the unpaid balance of the principal amount of this Note from and including the date of this Note to but excluding the date this Note is paid in full at a rate per annum equal to the Eurodollar Rate or, if applicable as provided below, the Base Rate.

The principal amount of this Note, plus all accrued interest, shall be due and payable on the Maturity Date or such earlier date as provided in this Note. Any amount of principal of or interest on this Note not paid when due (whether by maturity, acceleration or otherwise) shall bear interest from and including such date to but excluding the date paid in full, at a rate per annum equal to 2.0% in excess of the rate set forth below (the "Post-Default Rate").

Accrued interest on each Loan shall be payable (i) in the case of a Base Rate Loan, monthly on the last day of each month, (ii) in the case of a Eurodollar Loan, on the last day of each Interest Period for such Loan and (iii) in the case of any Loan, upon the payment or prepayment of such Loan or the Conversion or Continuance of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid, Converted or Continued), except that interest payable at the Post-Default Rate shall be payable from time to time on demand. Interest shall be calculated on the basis of a year of 360 days for the actual number of days elapsed.

The Company shall have the right to prepay Loans, or to Convert Loans of one Type into Loans of another Type or Continue Loans of one Type as Loans of the same Type, at any time or from time to time; provided that: (a) the Company

shall give the Bank notice of each such prepayment, Conversion or Continuation as provided herein (and, upon the date specified in any such

notice of prepayment, the amount to be prepaid shall become due and payable hereunder); (b) Eurodollar Loans may be Continued or Converted only on the last day of an Interest Period for such Loans; and (c) Eurodollar Loans may only be prepaid on the last day of an Interest Period for such Loans unless all costs to be paid pursuant to Section 5 of the Credit Agreement (each of the terms, conditions and provisions of which are hereby incorporated herein mutatis mutandis) as a result of such prepayment are paid simultaneously with such prepayment. Notwithstanding the foregoing, and without limiting the rights and remedies of the Bank, in the event that any default under this Note or under the Credit Agreement shall have occurred and be continuing, the Bank may suspend the right of the Company to Convert any loan into a Eurodollar Loan, or to Continue any Loan as a Eurodollar Loan, in which event all Loans shall be Converted into (on the last day(s) of their respective Interest Periods) into Base Rate Loans. In addition upon the occurrence of any of the events set forth in Section 5 of the Credit Agreement precluding the making of Eurodollar Loans, all Eurodollar Loans shall be Converted into Base Rate Loans.

Notices by the Company to of Conversions, Continuations and optional prepayments of Loans, of Types of Loans and of the duration of Interest Periods shall be irrevocable and shall be effective only if received by the Bank not

later than 12:00 noon Chicago time three Business Days prior to the date of the relevant Conversion, Continuation or prepayment or the first day of such Interest Period.

Each notice of Conversion, Continuation or optional prepayment shall specify the Loans to be Converted, Continued or prepaid and the amount and Type of each Loan to be Converted, Continued or prepaid and the amount and Type of each Loan to be Converted, Continued or prepaid (and, in the case of a Conversion, the Type of Loan to result from such Conversion) and the date of Conversion, Continuation or optional prepayment (which shall be a Business Day). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. In the event that the Company fails to select the Type of Loan, or the duration of any Interest Period for any Eurodollar Loan, within the time period and otherwise as provided in this Note, such Loan (if outstanding as a Eurodollar Loan) will be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period for such Loan or (if outstanding as a Base Rate Loan) will remain as, or (if not then outstanding) will be made as, a Base Rate Loan.

Each Conversion and partial prepayment of principal of Loans shall be in an aggregate amount at least equal to \$1,000,000 (Conversions or prepayments of or into Loans of different Types or, in the case of Eurodollar Loans, having different Interest Periods at the same time to be deemed separate borrowings, Conversions and prepayments for purposes of the foregoing, one for each Type or Interest Period). Notwithstanding any other provision of this Note, the aggregate principal amount of Eurodollar Loans of each Type having the same Interest Period shall be in an amount at least equal to \$1,000,000 and, if any Eurodollar Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Base Rate Loans during such period.

No more than three separate Interest Periods in respect of Eurodollar Loans may be outstanding at any one time.

All payments under this Note shall be made in lawful money of the United States of America and in immediately available funds at the Bank's office specified above. The Bank may (but

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shall not be obligated to) debit the amount of any payment that is not made when due (whether by maturity, acceleration or otherwise) to any deposit account of the Company with the Bank. This Note may be prepaid in full or in part without penalty.

The Company waives presentment, notice of dishonor, protest and any other notice or formality with respect to this Note.

The Company agrees to reimburse the Bank on demand for all costs, expenses and charges (including, without limitation, attorneys' fees and charges) in connection with the negotiation, documentation, interpretation or enforcement of this Note.

This Note shall be binding on the Company and its successors and assigns and shall inure to the benefit of the Bank and its successors and assigns; provided that the Company may not delegate any obligations under this Note without prior written consent of the Bank.

The Company represents and warrants that:

It is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland and has all requisite corporate power, and has all material governmental approvals necessary, to own its assets and to carry on its business as now being or as proposed to be conducted;

The execution and delivery of this Note will not conflict with or result in a breach of, or require any consent under, the charter or by-laws of the Company or any applicable governmental regulation or the Credit Agreement or any other material agreement or instrument to which the Company is a party or to which it is subject, or constitute a default under, or result in the termination of, or result in the acceleration or mandatory prepayment of, any indebtedness evidenced by the Credit Agreement or any such other agreement or instrument;

Each of the representations and warranties contained in the Credit Agreement are true and correct prior to and after giving effect to the execution and delivery of this Note and the incurrence of the indebtedness evidenced hereby; and

The Company has all necessary corporate power and authority to execute, deliver and perform its obligations under this Note; the execution, delivery and performance by the Company of this Note has been duly authorized by all necessary corporate action on its part; and this Note when executed and delivered by the Company for value will constitute, its legal, valid and binding obligation, enforceable against it in

accordance with its terms.

Each of the terms, conditions and provisions of Section 8 of the Credit Agreement are hereby incorporated herein mutatis mutandis.

All notices and communications to be given under this Note shall be given or made in writing to the intended recipient at the address specified below or, at such other address as shall be designated in a notice given to such entity. All such communications shall be deemed to have been

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duly given when transmitted by telecopier, delivered to the telegraph or cable office or personally delivered or, in the case of a mailed notice, upon receipt, in each case, given or addressed as follows:

To the Company: LTC Properties, Inc.
300 Esplanade Drive
Suite 1860
Oxnard, California 93050
Telecopier: (805) 981-8663

Attn: Mr. James Pieczynski

To the Bank: The Sumitomo Bank, Limited
U.S. Commercial Banking Division
800 W. 6th Street, Suite 950
Los Angeles, California 90017
Telecopier: (213) 623-4629

Attn: Ms. Yvonne K. Tso

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THE STATE OF CALIFORNIA. THE COMPANY HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA AND OF ANY CALIFORNIA STATE COURT SITTING IN LOS ANGELES, CALIFORNIA FOR THE PURPOSES OF ALL LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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THE COMPANY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDED AND RESTATED NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS AMENDED AND RESTATED NOTE.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and delivered as of the day and year first above written.

LTC PROPERTIES, INC.

By /s/ James J. Pieczynski

Name: James J. Pieczynski
Title: President & CFO

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BANKS

SANWA BANK CALIFORNIA

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED

By: _____

Name:
Title:

By: _____
Name:
Title:

BANK HAPOLIM, B.M.,
SAN FRANCISCO BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

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ANNEX I

DEFINITIONS

"Base Rate" shall mean, for any day, a rate per annum equal to the

higher of (a) the Federal Funds Rate for such day plus 1/2 of 1% and (b) the
Reference Rate for such day. Each interest rate that is to be based upon the
Base Rate shall change upon any change in the Base Rate, effective as of the
opening of business on the day of such change in the Base Rate.

"Business Day" shall mean (a) any day on which commercial banks are

not authorized or required to close in Los Angeles, California or Chicago,
Illinois and (b) if such day relates to a payment or prepayment of principal of
or interest on, a Conversion of or into, or an Interest Period for, a Eurodollar
Loan or a notice by the Company with respect to any such borrowing, payment,
prepayment, Conversion or Interest Period, any day on which dealings in Dollar
deposits are carried out in the London interbank market.

"Continue," "Continuation" and "Continued" shall refer to the

continuation of a Eurodollar Loan of one Type as a Eurodollar Loan of the same
Type from one Interest Period to the next Interest Period.

"Eurodollar Base Rate" shall mean, with respect to any Eurodollar Loan

for any Interest Period for such Loan, the rate per annum (rounded upwards, if
necessary, to the nearest 1/16 of 1%) as determined by the Bank at approximately
11:00 a.m. London time (or as soon thereafter as practicable) on the date two
Business Days prior to the first day of such Interest Period for the offering to
lenders by leading banks in the London interbank market of Dollar deposits
having a term comparable to such Interest Period and in an amount comparable to
the principal amount of the Eurodollar Loan to be made by the Bank for such
Interest Period.

"Eurodollar Loans" shall mean Loans that bear interest at rates based

on the Eurodollar Rate.

"Eurodollar Rate" shall mean, for any Eurodollar Loan for any Interest

Period for such Loan, a rate per annum (rounded upwards, if necessary, to the
nearest 1/16 of 1%) determined by the Bank to be equal to the sum of (a) the
Eurodollar Base Rate for such Loan for such Interest Period divided by 1 minus
the Reserve Requirement for such Loan for such Interest Period, plus 3.00%.

"Federal Funds Rate" shall mean, for any day, the rate per annum

(rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the
weighted average of the rates on overnight Federal funds transactions with
members of the Federal Reserve System arranged by Federal funds brokers on such
day, as published by the Federal Reserve Bank of New York on the Business Day
next succeeding such day, provided that (a) if the day for which such rate is to

be determined is not a Business Day, the Federal Funds Rate for such day shall

be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if such rate is not so published for any Business Day, the Federal Funds Rate for such Business Day shall be the

average rate charged to the Bank on such Business Day on such transactions as determined by the Bank.

"Interest Period" shall mean, with respect to any Eurodollar Loan, each

period commencing on the date such Eurodollar Loan is made or Converted from a Loan of another Type or the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second or third calendar month thereafter, as the Company may select as provided in the Note, except that each Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business day of the appropriate subsequent calendar month. Notwithstanding the foregoing: (i) on Interest Period may end after the Maturity Date; (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day (or, in the case of an Interest Period for a Eurodollar Loan, if such next succeeding Business Day falls in the next succeeding calendar month, on the next preceding Business Day); and (iii) notwithstanding clauses (i) and (ii) above, no Interest Period for any Loan shall have a duration of less than one month and, if the Interest Period for any Eurodollar Loan would otherwise be a shorter period, such Loan shall not be available under this Agreement for such period.

"Loans" shall mean the initial \$10,000,000 loan made hereunder and any

Continuations or Conversions of such loan, which may be Base Rate Loans, Eurodollar Loans or both.

"Reference Rate" shall mean the rate of interest from time to time

announced by the Bank as its prime rate. Such announced rate is not necessarily the lowest rate offered by the Bank and Bank as its prime rate. Such announced rate is not necessarily the lowest rate offered by the Bank and any other extension of credit by the Bank may be at rates above, below or at such announced rate.

"Reserve Requirement" shall mean, for any Interest Period for any

Eurodollar Loan, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the Federal Reserve system in Chicago, Illinois with deposits exceeding one billion Dollars against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall include any other reserves required to be maintained by such member banks by reason of any Regulatory Change with respect to (i) any category of liabilities that includes deposits by reference to which the Eurodollar Base Rate for Eurodollar Loans is to be determined as provided in the definition of "Eurodollar Base Rate" or (ii) any category of extensions of credit or other assets that includes Eurodollar Loans.

"Type" with respect to a Loan, means whether such Loan is a Base Rate Loan

or a Eurodollar Loan, each of which constitutes a Type.

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AMENDMENT TO SECOND AMENDED AND RESTATED

REVOLVING CREDIT AGREEMENT, WAIVER AND CONSENT

THIS AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT, WAIVER AND CONSENT (this "Amendment") dated as of September 17, 1997, is made

among: LTC PROPERTIES, INC., a Maryland corporation (the "Company"); each of the

lenders identified under the caption "BANKS" on the signature pages of the Credit Agreement (as defined below) or which, pursuant to Section 11.6(b) of the Credit Agreement, shall become a "Bank" under the Credit Agreement (individually, a "Bank" and, collectively, the "Banks"); and Sanwa Bank

California, as agent for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

R E C I T A L S

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I. The Company, the Agent and the Banks are parties to the Second Amended and Restated Revolving Credit Agreement, dated as of May 21, 1996 (as amended, the "Credit Agreement");

II. The Company desires to enter into a bridge loan facility (the "Sumitomo Bridge Loan Facility") with The Sumitomo Bank, Limited ("Sumitomo"), acting in its own capacity and not as a Bank under the Credit Agreement, in an amount not to exceed \$10,000,000 and to issue a promissory note (the "Promissory Note") in favor of Sumitomo in the mount of \$10,000,000;

III. The Company has requested that the Agent and the Banks (i) consent to the Company and Sumitomo entering into the Sumitomo Bridge Loan Facility and the Company's incurrence of indebtedness therewith and grant certain waivers under the Credit Agreement in connection with such indebtedness; and

IV. The Agent and the Majority Banks are willing to accommodate the Company's requests on the terms and conditions contained in this Amendment.

The Company, the Agent and the Majority Banks agree as follows:

A G R E E M E N T

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1. Defined Terms. Capitalized terms used but not defined in this Amendment shall have the meanings assigned to such terms in the Credit Agreement and the rules of interpretation set forth in Section 1.4 of the Credit Agreement shall be applicable to this Amendment.

2. Amendment to Section 1.1 of the Credit Agreement.
(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in the correct alphabetical order:
"Sumitomo Bridge Loan Facility" shall mean, the bridge loan facility provided to the Company by Sumitomo pursuant to the promissory note dated as of September 18, 1997, as amended, supplemented or otherwise modified.

(b) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Senior Funded Debt" in its entirety and inserting in its place the following definition:

"Senior Funded Debt" shall mean all Indebtedness of the Company under the Goldman Facility, this Agreement, the Bridge Loan Facility and the Sumitomo Bridge Loan Facility.

3. Consent. The Agent and the Majority Banks hereby consent to the Sumitomo Bridge Loan Facility and the issuance of the Promissory Note in connection therewith.

4. Waiver. The Agent and the Majority Banks hereby waive the application of the provisions of Section 8.7 and Section 8.8 of the Credit Agreement to allow the Company to enter into the Sumitomo Bridge Loan Facility and issue the Promissory Note.

5. Representations. The Company represents and warrants to the Agent and the Banks that (a) the Company has all requisite corporate power to execute and deliver this Amendment and to perform its obligations under this Amendment; (b) execution, delivery and performance of this Amendment, the Sumitomo Bridge Loan Facility and the issuance of the Promissory Note have been duly authorized by all necessary corporate action by the Company; (c) this Amendment constitutes a legal, valid and binding obligation of the Company; and (d) prior to and after giving effect to this Amendment, the Sumitomo Bridge Loan Facility and the Promissory Note, no Default or Event of Default shall have occurred or be continuing.

6. Effect of Amendment. The consent set forth in Section 3 of this

Amendment and the waiver set forth in Section 4 of this Amendment are limited in effect, shall apply only as expressly set forth in this Amendment and shall not constitute a waiver of any other provision of the Credit Agreement. The Credit Agreement shall be modified only by the express provisions of this Amendment and shall otherwise remain in full force and effect and is hereby ratified and confirmed in all respects.

7. Entire Agreement. This Amendment constitutes the complete agreement

of the parties with respect to the subject matters referred to in this Amendment and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements or representations of every nature whatsoever with respect thereto, all of which become merged and finally integrated into this Amendment.

8. Successors and Assigns. This Amendment shall be binding upon and

inure to the benefit of the parties to this Amendment and their respective successors and permitted assigns.

9. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AMENDMENT AND THE

CREDIT AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA. THE COMPANY HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA AND OF ANY CALIFORNIA STATE COURT SITTING IN LOS ANGELES, CALIFORNIA, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE CREDIT AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AMENDMENT OR THE CREDIT AGREEMENT. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

10. WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE AGENT AND THE BANKS

HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, THE CREDIT AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AMENDMENT OR THE CREDIT AGREEMENT.

11. Counterparts. This Amendment may be executed in any number of

counterparts, all of which taken together shall constitute one and the same instrument and any of the parties to this Amendment may execute this Amendment by signing any such counterpart.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the day and year first above written.

COMPANY

LTC PROPERTIES, INC.

By: /s/ James J. Pieczynski

Name: James J. Pieczynski
Title: President & CFO

AGENT

SANWA BANK CALIFORNIA, as Agent

By: _____
Name:
Title:

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OFFICER'S CERTIFICATE

OF

LTC PROPERTIES, INC.

The undersigned, James J. Pieczynski, Senior Vice President and Chief Financial Officer of LTC Properties, Inc., a Maryland corporation (the "Company"), does hereby certify, in connection with the Promissory Note dated as of September 18, 1997 (the "Promissory Note"), that:

1. no default has occurred or is continuing under the Credit Agreement dated as of March 21, 1996 (as amended, the "Credit Agreement") among the Company, each of the lenders named therein and Sanwa Bank California, as agent for such lenders, or any other material agreement of the Company or would result from the Company's entering in to the Promissory Note; and

2. the representations and warranties made by the Company in Section 7 of the Credit Agreement are true and complete on and as of the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate this 18 day of September, 1997.

-- -----

LTC PROPERTIES, INC.

By: /s/ James J. Pieczynski

Name: James J. Pieczynski
Title: Senior Vice President and
Chief Financial Officer

AGREEMENT
AND
PLAN OF MERGER
AND REORGANIZATION

BY AND BETWEEN

ASSISTED LIVING CONCEPTS, INC.,
A NEVADA CORPORATION

AND

HOME AND COMMUNITY CARE, INC.,
A NEVADA CORPORATION

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EXHIBITS

- A Form of Articles of Merger
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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, dated as of
October 4, 1997 (this "Agreement"), is by and between Assisted Living Concepts,

Inc., a Nevada corporation ("ALC"), and Home and Community Care, Inc., a Nevada corporation ("HCI").

WHEREAS, the Boards of Directors of ALC and HCI have determined that it is in the best interests of their respective companies and their stockholders to effect the acquisition of HCI, subject to the terms and conditions set forth in this Agreement;

WHEREAS, in furtherance of such acquisition, the Boards of Directors of ALC and HCI have approved the merger of a newly formed, wholly owned subsidiary of ALC incorporated in the State of Nevada ("Newco") with and into HCI (the "Merger"), in accordance with the Nevada Revised Statutes (the "NRS"), pursuant to which HCI will be the surviving corporation in the Merger;

WHEREAS, ALC and HCI desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, ALC and HCI agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. Upon the terms and subject to the conditions of this Agreement, in accordance with the NRS at the Effective Time (as defined in Section 1.2 hereof), Newco shall merge with and into HCI. HCI shall be the surviving corporation (hereinafter sometimes called the "Surviving Corporation") in the Merger, and shall continue its corporate existence under the laws of the State of Nevada. The name of the Surviving Corporation shall be Home and Community Care, Inc. Upon consummation of the Merger, the separate corporate existence of Newco shall terminate.

Section 1.2 Effective Time. The Merger shall become effective as set forth in the Articles of Merger, substantially in the form of Exhibit A hereto (the "Articles of Merger"), which shall be filed with the Secretary of State of the State of Nevada (the "Nevada Secretary") on the Closing Date (as defined in Section 9.1 hereof). The term "Effective Time" shall be the date when the Merger becomes effective, as set forth in the Articles of Merger.

Section 1.3 Effects of the Merger. At and after the Effective Time, the Merger shall have the effects set forth in the NRS and this Agreement.

Section 1.4 Conversion of HCI Common Stock. At the Effective Time, subject to Section 2.2(d) hereof, by virtue of the Merger and without any action on the part of ALC, Newco, HCI or the holder of any of the following securities:

(a) Each share of Common Stock, \$.001 par value, of HCI ("HCI Common Stock") issued and outstanding immediately prior to the Effective Time (other than shares of HCI

Common Stock held (x) in HCI's treasury, (y) directly or indirectly by ALC or any Subsidiaries (as defined in Section 3.1(a) hereof) of HCI or ALC or (z) by any holder who becomes entitled to the payment of the fair value for his shares of HCI Common Stock under NRS 92A.300 through 92A.500, inclusive (the "Dissenters' Rights Statutes") if the NRS provides for such payment in connection with the Merger ("Dissenting Shares")), shall be converted into the right to

receive \$1.00 in cash, such cash to be paid from the Cash Fund (as defined in Section 2.1(a) hereof) at or prior to the later of (i) the Effective Time or (ii) the closing date of a public offering of securities by ALC resulting in gross proceeds of at least \$25 million, but in no event later than December 31, 1997 (payable in certified or ALC company check) (the "Merger Consideration").

(b) All of the shares of HCI Common Stock converted into cash pursuant to this Article I shall no longer be outstanding and shall automatically be cancelled and shall cease to exist as of the Effective Time, and each certificate (each a "Certificate") previously representing any such shares of HCI Common Stock (other than Certificates representing shares of HCI

Common Stock held (x) in HCI's treasury, (y) directly or indirectly by ALC or any Subsidiaries of HCI or ALC or (z) by holders of Dissenting Shares) shall thereafter represent the right to receive the Merger Consideration with respect to the number of shares of HCI Common Stock represented by such Certificate.

(c) At the Effective Time, all shares of HCI Common Stock that are owned by HCI as treasury stock and all shares of HCI Common Stock that are owned directly or indirectly by ALC, Newco or HCI or any of their respective Subsidiaries shall be cancelled and shall cease to exist and no stock of ALC or other consideration shall be delivered in exchange therefor.

(d) Each share of common stock, \$.01 par value, of Newco ("Newco Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

(e) At the Effective Time, the holders of Dissenting Shares, if any, shall be entitled to payment for such Dissenting Shares only to the extent permitted by and in accordance with the provisions of the Dissenters' Rights Statutes; provided, however, that if, in accordance with such Dissenters' Rights Statutes, any holder of Dissenting Shares shall forfeit such right to payment of the fair value of such Dissenting Shares, such Dissenting Shares shall thereupon be deemed to have been converted into and to have become exchangeable for, as of the Effective Time, the right to receive the Merger Consideration in accordance with Section 1.4(a) hereof.

Section 1.5 ALC Common Stock. At and after the Effective Time, each share of Common Stock, \$.01 par value, of ALC (the "ALC Common Stock") issued and outstanding immediately prior to the Effective Time shall remain an issued and outstanding share of ALC Common Stock and shall not be affected by the Merger.

Section 1.6 Certificates of Incorporation. At the Effective Time, the Articles of Incorporation of HCI, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended in accordance with applicable law.

Section 1.7 Bylaws. At the Effective Time, the Bylaws of HCI, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter amended in accordance with applicable law.

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Section 1.8 Board of Directors. At the Effective Time, the Board of Directors of Newco, as in effect immediately prior to the Effective Time, shall be the Board of Directors of the Surviving Corporation until their resignation or removal or until their successors have been duly elected.

ARTICLE II

PAYMENT OF CASH UPON EXCHANGE OF SHARES

Section 2.1 ALC to Make Cash Available. At or prior to the later of (a) the Effective Time or (b) the closing date of a public offering of securities by ALC resulting in gross proceeds of at least \$25 million, but in no event later than December 31, 1997, ALC shall deposit, or shall cause to be deposited, with a third party mutually agreed upon by HCI and ALC (the "Exchange Agent"), for the benefit of the holders of Certificates, for exchange in accordance with this Article II, cash representing the aggregate Merger Consideration to be paid to holders of HCI Common Stock pursuant to Section 1.4 hereof and paid pursuant to Section 2.2(a) hereof (the "Cash Fund").

Section 2.2 Exchange of Shares.

(a) As soon as practicable after the Effective Time, and in no event later than ten business days thereafter, the Exchange Agent shall mail to each holder of record of a Certificate or Certificates a form letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent), an Exchange Certificate (as defined below) and instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration with respect to the number of shares of HCI Common Stock represented by such Certificates. The Exchange Agent shall obtain an express representation (the "Exchange Certificate") from each holder of a Certificate or Certificates that the respective Certificates are delivered to the Exchange Agent free and clear of all liens and that no liens or security interests exist which continue to encumber the Certificates upon surrender of

the Certificates to the Exchange Agent. A form of the Exchange Certificate is attached as Exhibit B. Upon proper surrender of a Certificate for exchange and cancellation to the Exchange Agent, together with such properly completed letter of transmittal, duly executed, and a completed and signed Exchange Certificate, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration with respect to the number of shares of HCI Common Stock represented by such Certificates. No interest will be paid or accrued on the Merger Consideration.

(b) If any cash is to be paid to a person or entity having a name other than that in which the Certificate surrendered in exchange therefor is registered, it shall be a condition of the payment of such cash that the Certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such cash shall pay to the Exchange Agent in advance any transfer or other taxes required by reason of the payment of cash to a person or entity having a name other than that of the registered holder of the Certificate surrendered, or required for any other reason, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(c) All Merger Consideration paid upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of HCI Common Stock theretofore represented by such Certificates

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(subject, however, to the obligation to pay a \$2.50 per share distribution that has been or will be effected by HCI and payable in the form of cash, cancellation of indebtedness (including interest thereon) or issuance of indebtedness). At or after the Effective Time, there shall be no transfers on the stock transfer books of HCI of the shares of HCI Common Stock which were issued and outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for Merger Consideration as provided in this Article II.

(d) Any portion of the Cash Fund that remains unclaimed by the stockholders of HCI for twelve months after the Effective Time shall be paid to ALC. Any stockholders of HCI who have not theretofore complied with this Article II shall thereafter look only to ALC for payment of the Merger Consideration with respect to such stockholders' shares of HCI Common Stock pursuant to this Agreement, without any interest thereon. Notwithstanding anything to the contrary contained herein, none of ALC, Newco, HCI, the Exchange Agent or any other person shall be liable to any former holder of shares of HCI Common Stock for any amount properly delivered to any public official pursuant to applicable abandoned property, escheat or similar laws.

(e) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by ALC, the posting by such person of a bond in such amount as ALC may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

(f) ALC or the Exchange Agent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement to any holder of shares of HCI Common Stock such amounts as ALC or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by ALC or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares in respect of which such deduction and withholding was made.

Section 2.3 Earnout.

(a) In addition to the Merger Consideration provided to holders of HCI Common Stock, following the Effective Time, each former stockholder of HCI that had shares of HCI Common Stock exchanged for Merger Consideration (other than holders of Dissenting Shares) pursuant to Section 2.2 hereof (the "Former HCI Stockholders") shall also be entitled to certain Earnout Payments

(as defined below), if any, in accordance with the provisions of this Section 2.3.

(b) Subject to paragraph (c) below, within 10 business days following the earlier of (i) the last day of ALC's fiscal quarter during which either (x) a permanent certificate of occupancy has been obtained, (y) a temporary certificate of occupancy and a license to operate a facility have been obtained or (z) a sale/leaseback transaction has been closed with respect to an Identified Site (as defined in Section 6.8 hereof), and (ii) two years following

the Effective Time with respect to any Identified Sites for which none of (x), (y) or (z) of the foregoing clause of this sentence have occurred, ALC shall provide an Earnout Payment, together with a notice setting forth the calculation of such Earnout Payment certified by the Chief Financial Officer or Controller of ALC (the "Earnout Payment Notice"), to each Former HCI Stockholder for each

"unit" at an assisted living facility that (I) is located on (or within 15

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miles of) such Identified Site referred to in clause (i) of this sentence or (II) ALC intends to develop on (or within 15 miles of) such Identified Site referred to in clause (ii) of this sentence; it being understood that if more than one assisted living facility is located on (or within 15 miles of) an Identified Site, then Earnout Payments shall be provided by ALC with respect to all such assisted living facilities on (or within 15 miles of) such Identified Site. For purposes of this Agreement, an "Earnout Payment" shall be payable in

certified or ALC company check and shall equal (A) \$7,500 multiplied by (B) the number of "units" located on or to be developed on (or within 15 miles of) such Identified Site divided by (B) 4,857,500, for each share of HCI Common Stock held by such Former HCI Stockholder immediately prior to the Effective Time. ALC shall mail the Earnout Payment, together with the Earnout Payment Notice, to the address indicated by the respective Former HCI Stockholder on the Exchange Certificate submitted to the Exchange Agent in compliance with Section 2.2(a) hereof.

(c) ALC shall be obligated to provide Earnout Payments with respect to each and every assisted living facility that meets the criteria of paragraph (b) of this Section 2.3, not to exceed 39 of such facilities in the aggregate.

(d) Any portion of the Earnout Payment that remains unclaimed by a Former HCI Stockholder for twelve months after the date of the mailing of the Earnout Payment Notice shall be deemed abandoned and shall revert to ALC. Thereafter, such Former HCI Stockholder shall have no claim or interest in the abandoned Earnout Payment. Notwithstanding anything to the contrary contained herein, none of ALC, Newco, HCI, the Exchange Agent or any other person shall be liable to any Former HCI Stockholder for any property delivered to any public official pursuant to applicable abandoned property, escheat or similar laws.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF HCI

HCI hereby represents and warrants to ALC as follows:

Section 3.1 Corporate Organization.

(a) HCI is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. HCI has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except for such failures to be so qualified which, individually or in the aggregate, would not have or reasonably be expected to have a Material Adverse Effect (as defined below) on HCI. As used in this Agreement, the term "Material Adverse Effect" means, with respect

to ALC, HCI or the Surviving Corporation, as the case may be, a material adverse effect on the business, results of operations or financial condition of such party and its Subsidiaries (but only to the extent of such party's interest therein) taken as a whole or a material adverse effect on such party's ability to consummate the Merger and the transactions contemplated thereby; provided, however, that in determining whether a Material Adverse Effect has occurred there shall be excluded any effect on the referenced party of any action or omission of HCI or ALC or any Subsidiary of either of them taken with the prior written consent of ALC or HCI, as applicable, in contemplation of the Merger. As used in this Agreement, the word

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"Subsidiary" when used with respect to any party means any corporation,

partnership, limited liability company or other organization, whether incorporated or unincorporated, any equity interests of which are owned by such party or by a Subsidiary of such party, or which is consolidated with such party for financial reporting purposes. The copies of the Articles of Incorporation and Bylaws of HCI which have previously been made available to ALC, are true, complete and correct copies of such documents as in effect as of the date of this Agreement.

(b) Each Subsidiary of HCI is a corporation, duly incorporated and validly existing under the laws of the State of Nevada and has the requisite corporate power and authority to carry on its business as now being conducted. Each Subsidiary of HCI is duly qualified to do business and in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified, except for such failures to be so qualified which, individually or in the aggregate, would not have or reasonably be expected to have a Material Adverse Effect on HCI.

Section 3.2 Capitalization.

(a) The authorized capital stock of HCI consists of 40,000,000 shares of HCI Common Stock. As of the date of this Agreement, there were 4,857,500 shares of HCI Common Stock outstanding (2,857,500 shares of which are shares of voting common stock (the "HCI Voting Common Stock") and 2,000,000

shares of which are shares of non-voting common stock (the "HCI Non-Voting

Common Stock")), and no shares of HCI Common Stock held in HCI's treasury and,

except for such shares, there were no other shares of HCI capital stock outstanding. All of the issued and outstanding shares of HCI Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date of this Agreement, HCI does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of HCI Common Stock or any other equity securities of HCI or any securities representing the right to purchase or otherwise receive any shares of HCI Common Stock or any other equity securities of HCI, or requiring HCI to repurchase, redeem or otherwise acquire any shares of its capital stock or any capital stock, voting securities or ownership interests in any Subsidiary of HCI. There are no bonds, debentures, notes or other indebtedness of HCI having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of HCI may vote.

(b) Pacesetter Home Care Group, Inc., a Nevada corporation ("Pacesetter"), Pacesetter Hospice, Inc., a Nevada corporation, Pacesetter Prime

Home Care, Inc., a Nevada corporation, and Pacesetter Home Health, Inc., a Nevada corporation ("Home Health"), are all of HCI's Subsidiaries, and HCI owns,

directly or indirectly, 100% of the issued and outstanding shares of capital stock, voting securities or other ownership interests of each of HCI's Subsidiaries, free and clear of any liens, charges, encumbrances, adverse rights or claims and security interests whatsoever ("Liens"), and all of such shares

are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. None of HCI's Subsidiaries has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase, issuance, repurchase, redemption or other acquisition of any shares of capital stock, voting securities or other ownership interests of such Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock, voting securities or other ownership interests of such Subsidiary. At the Effective Time, there will not be any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character by which

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HCI or any of its Subsidiaries will be bound calling for the purchase or issuance of any shares of the capital stock, voting securities or other ownership interests of HCI or any of its Subsidiaries.

Section 3.3 Authority; No Violation.

(a) HCI has full corporate power and authority to execute and deliver this Agreement and the other documents contemplated to be executed and delivered by HCI in connection with the transactions contemplated hereby (this Agreement, together with such other documents, collectively, the "HCI

Documents"), and to consummate the transactions contemplated hereby and thereby.

The execution and delivery of each of the HCI Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly approved by the Board of Directors of HCI. The Board of Directors of HCI has directed that the Articles of Merger and the transactions contemplated hereby be submitted to HCI's stockholders for approval at a meeting or by written consent of such stockholders and, except for the adoption of this Agreement by the affirmative vote of the holders of a majority of the outstanding shares of HCI Voting Common Stock, no other corporate proceedings on the part of HCI are necessary to approve the HCI Documents and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and prior to the

Effective Time, each other HCI Document will have been, duly and validly executed and delivered by HCI and (assuming due authorization, execution and delivery by ALC) this Agreement constitutes, and each other HCI Document will constitute, a valid and binding obligation of HCI, enforceable against HCI in accordance with its terms, except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally.

(b) Neither the execution and delivery of the HCI Documents by HCI nor the consummation by HCI of the transactions contemplated hereby and thereby, nor compliance by HCI with any of the terms or provisions hereof or thereof, will (i) violate any provision of the Articles of Incorporation or Bylaws of HCI or any of the similar governing documents of any of its Subsidiaries or (ii) assuming that the consents and approvals referred to in Section 3.4 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to HCI or any of its Subsidiaries or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of HCI or any of its Subsidiaries under, any of the terms, conditions or provisions of any HCI Contract (as defined in Section 3.13(a) hereof) or any loan or credit agreement, note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which HCI or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (ii) above) for such violations, conflicts, breaches or defaults which, individually or in the aggregate, will not have and would not reasonably be expected to have a Material Adverse Effect on HCI.

Section 3.4 Consents and Approvals. Except for (i) the filing of the Articles of Merger with the Nevada Secretary pursuant to NRS 92A.200, (ii) the adoption of the Articles of Merger by the requisite vote of the holders of HCI Voting Common Stock and the stockholder of Newco, (iii) the filing of the Articles of Incorporation of Newco with the Nevada Secretary, and (iv) consents and approvals, the failure of which to obtain will not have and would not be reasonably expected to have a Material Adverse Effect on HCI, no consents or approvals of, or filings or registrations with, any court, administrative agency or commission or other governmental authority or instrumentality (each a

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"Governmental Entity") or with any third party are necessary in connection with

(A) the execution and delivery by HCI of the HCI Documents and (B) the consummation by HCI of the Merger and the other transactions contemplated hereby and thereby.

Section 3.5 Vote or Consent Required. The affirmative vote or consent of at least a majority of the outstanding shares of HCI Voting Common Stock is the only vote or consent of the holders of any class or series of HCI's capital stock necessary (under applicable law or otherwise) to approve this Agreement, the Merger and the transactions contemplated hereby and thereby.

Section 3.6 Financial Statements; Undisclosed Liabilities. The financial statements of Pacesetter Home Care Group, Inc., HCI's predecessor, for the year ended December 31, 1996 and the consolidated financial statements of HCI for the period ended June 30, 1997, each of which have previously been provided to ALC, have been prepared in accordance with generally accepted accounting principles ("GAAP") (except that the unaudited statements exclude

footnotes) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly presented, in accordance with the applicable requirements of GAAP, the consolidated financial position of HCI (or its predecessor) as of the dates thereof and the consolidated results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except (i) as disclosed in Section 3.6 of the disclosure schedule of HCI delivered to ALC concurrently herewith (the "HCI Disclosure Schedule"), (ii) for those

liabilities that are fully reflected or reserved against on the consolidated balance sheet of HCI included in its financial statements for the period ended June 30, 1997, and (iii) for liabilities incurred in the ordinary course of business consistent with past practice since June 30, 1997, neither HCI nor any of its Subsidiaries has incurred any liability of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due) that, either alone or when combined with all other liabilities incurred since June 30, 1997, has had, or would reasonably be expected to have, a Material Adverse Effect on HCI. On September 30, 1997, the outstanding indebtedness of HCI and its Subsidiaries did not exceed \$5.7 million. The books and records of HCI and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting

requirements and reflect only actual transactions.

Section 3.7 Broker's Fees. None of HCI, any of its Subsidiaries nor any of their respective officers or directors has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with any of the transactions contemplated by the HCI Documents.

Section 3.8 Absence of Certain Changes or Events.

(a) Except as disclosed in Section 3.8 of the HCI Disclosure Schedule and except as set forth in Section 3.9(d) hereof, since June 30, 1997, no event (including, without limitation, any earthquake or other act of God) has occurred which, either alone or combined with all other events occurring since June 30, 1997, would reasonably be expected to have a Material Adverse Effect on HCI.

(b) Since June 30, 1997, HCI and its Subsidiaries have carried on their respective businesses in all material respects in the ordinary course of business, and neither HCI nor any of its Subsidiaries has (i) except for normal increases in the ordinary course of business consistent with past practice and except as required by applicable law, increased the wages, salaries, compensation, pension or other fringe benefits or perquisites payable to any executive officer or director, or granted any severance or termination pay, entered into any contract to make or grant any severance or termination

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pay, or paid any bonus, in each case to any such executive officer or director, other than pursuant to preexisting agreements or arrangements, (ii) made any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of HCI's capital stock (except for a \$2.50 per share distribution that has been or will be effected by HCI and payable in the form of cash, cancellation of indebtedness (including interest thereon) or issuance of indebtedness), (iii) effected any split, combination or reclassification of any of HCI's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for, or giving the right to acquire by exchange or exercise, shares of its capital stock or any issuance of an ownership interest in any Subsidiary of HCI, (iv) made any change in accounting methods, principles or practices by HCI or any Subsidiary of HCI, except as may be required by a change in GAAP or (v) suffered any strike, work stoppage, slow-down or other labor disturbance.

Section 3.9 Legal Proceedings.

(a) Except as provided in Section 3.9(d) hereof, none of HCI nor any of its Subsidiaries is a party to any, and there are no pending or, to the best of HCI's knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against HCI or any of its Subsidiaries or challenging the validity or propriety of the transactions contemplated by the HCI Documents.

(b) There is no injunction or governmental order, judgment or similar decree applicable to HCI or any of its Subsidiaries which imposes any restrictions on HCI or any of its Subsidiaries.

(c) Except as provided in Section 3.9(d) hereof, HCI and its Subsidiaries and the home health agencies and hospice services that they operate have, and are in compliance (without any defaults) with all permits, authorizations, licenses, certifications and approvals they need to conduct the businesses in which they are engaged and to be paid for the services they provide, including Medicare and Medicaid provider certification, except where the failure to be in such compliance would not have or reasonably be expected to have a Material Adverse Effect on HCI. Except as provided in Section 3.9(d) hereof, there are no pending or, to the knowledge of HCI, threatened proceedings, actions or governmental or regulatory investigations of any nature (including without limitation regulatory actions by the Health Care Financing Administration ("HCFA")) that restrict, limit or terminate the permits,

authorizations, licenses, certifications and approvals referred to in the foregoing sentence, except for such proceedings, actions or investigations that would not have or reasonably be expected to have a Material Adverse Effect on HCI.

(d) On September 17, 1997, Home Health received a 23-day notice of termination, pursuant to HCFA State Operations Manual (S) 3010(B), (the "September Notice") to the effect that HCFA would terminate the status of Home

Health's main office in Forth Worth, Texas (the "Fort Worth Office") on October

6, 1997 if by September 26, 1997 Home Health did not submit to HCFA a satisfactory "Plan of Correction" addressing certain noted deficiencies. Home Health delivered to HCFA a plan of correction on September 26, 1997, and at that time, Home Health was verbally informed by HCFA staff that such plan of correction appropriately responded to HCFA's concerns and that HCFA no longer

considered Home Health's license to operate its Fort Worth Office to be scheduled for termination on October 6, 1997. As of the date of this Agreement, neither HCI nor Home Health have received any written confirmation from HCFA which indicates that the Fort Worth Office's license is no longer subject to termination as a consequence of the September Notice.

Section 3.10 Taxes and Tax Returns.

(a) HCI and each of its Subsidiaries has timely filed or caused to be filed, and has heretofore furnished to ALC true and complete copies of, any returns, declarations, reports, estimates, information returns and statements required to be filed under federal, state, local or any foreign tax laws ("Tax Returns") with respect to HCI or any of its Subsidiaries, except

where the failure to file timely such Tax Returns would not, individually or in the aggregate, have and would not reasonably be expected to have a Material Adverse Effect on HCI. All Taxes due, whether or not shown to be due on such Tax Returns, have been paid or adequate reserves have been established for the payment of such Taxes, except where the failure to pay or establish adequate reserves would not, individually or in the aggregate, have and would not reasonably be expected to have a Material Adverse Effect on HCI. No material (i) audit or examination of any Tax Return with respect to HCI or any of its Subsidiaries is currently in progress or has been conducted and neither HCI nor any of its Subsidiaries has received notice of any proposed audit or examination, (ii) deficiencies for any taxes have been proposed, asserted or assessed or (iii) refund litigation with respect to any Tax Return is pending. All material Tax Returns filed by HCI and each of its Subsidiaries are complete and accurate in all material respects.

(b) For purposes of this Agreement, "Taxes" shall mean all

taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority.

Section 3.11 Employees.

(a) Section 3.11(a) of the HCI Disclosure Schedule lists each Employee Benefit Plan and Benefit Arrangement covering employees or former employees of HCI or its Subsidiaries. HCI has delivered to ALC copies of written documents comprising such Employee Benefit Plans and Benefit Arrangements.

(b) Except as set forth in Section 3.11(b) of the HCI Disclosure Schedule:

(i) Neither HCI nor any of its ERISA Affiliates sponsors or has previously sponsored, maintained, contributed to or incurred an obligation to contribute to any Employee Benefit Plan regulated under Title IV of ERISA, including any Multiemployer Plan.

(ii) Neither HCI nor any of its ERISA Affiliates sponsors or has previously sponsored, maintained, contributed to or incurred an obligation to contribute to any Employee Benefit Plan that provides or will provide benefits described in Section 3(1) of ERISA to any former employee or retiree of HCI or any ERISA Affiliate of any of them, except as required under Part 6 of Title I or ERISA and Section 4980B of the Code.

(iii) In all material respects, all Employee Benefit Plans and Benefit Arrangements covering employees or former employees of HCI or its Subsidiaries comply with ERISA and the Code.

(iv) To the best knowledge of HCI, none of the Employee Benefit Plans covering employees or former employees of HCI or its Subsidiaries has engaged in or been a party to a transaction that is prohibited under Section 4975 of the Code or Section 406 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA, respectively.

(v) No employee or former employee of HCI or its Subsidiaries shall accrue or receive additional benefits, service or accelerated rights to payment of benefits under any Employee Benefit Plan or Benefit Arrangement covering employees or former employees of HCI or its Subsidiaries or become entitled to severance, termination allowance or similar payments as a result of the transactions contemplated by this Agreement.

(vi) Each Employee Benefit Plan that covers or has covered employees or former employees of HCI or its Subsidiaries and is intended to

qualify under Section 401(a) of the Code is the subject of a favorable determination letter from the Internal Revenue Service, a copy of which has been delivered to ALC.

(vii) The following definitions apply to this Section 3.11:

"Benefit Arrangement" means any material benefit arrangement that is

not an Employee Benefit Plan, including (i) each employment or consulting agreement, (ii) each arrangement providing insurance benefits, (iii) each incentive bonus or deferred bonus arrangement, (iv) each arrangement providing termination allowance, severance or similar benefits, (v) each equity compensation plan, and (vi) each deferred compensation plan.

"Employee Benefit Plan" means any employee benefit plan, as defined in

Section 3(3) of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended.

"ERISA Affiliate" of HCI means any other person that, together with

HCI as of the relevant measuring date under ERISA, was or is required to be treated as a single employer under Section 414 of the Code.

"Multiemployer Plan" means a multiemployer plan, as defined in

Sections 3(37) and 4001(a)(3) of ERISA.

Section 3.12 Compliance with Applicable Law. HCI and each of its Subsidiaries have complied with and are not in default in any material respect under any, applicable law, statute, order, rule, regulation, policy and/or guideline of any Governmental Entity relating to HCI or any of its Subsidiaries, except where such noncompliance or default would not, individually or in the aggregate, have or reasonably be expected to have a Material Adverse Effect on HCI, and neither HCI nor any of its Subsidiaries knows of, or has received notice of, any noncompliance or default of any of the above which, individually or in the aggregate, would have or would reasonably be expected to have a Material Adverse Effect on HCI.

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Section 3.13 Certain Contracts.

(a) Except as set forth in Section 3.13(a) of the HCI Disclosure Schedule, neither HCI nor any of its Subsidiaries is a party to or is bound by any contract, arrangement, commitment or understanding (whether written or oral) (i) which is a material to the conduct of HCI's business, (ii) which materially restricts the conduct of any line of business by HCI, (iii) evidencing or concerning any loan or credit agreements, notes, bonds, mortgages, indentures and other agreements and instruments pursuant to which any indebtedness of HCI or any of its Subsidiaries is evidenced or (iv) with or to a labor union or guild (including any collective bargaining agreement). Each contract, arrangement, commitment or understanding of the type described in this Section 3.13(a), other than the HCI Documents, whether or not set forth in Section 3.13(a) of the HCI Disclosure Schedule, is referred to herein as a "HCI

Contract," and neither HCI nor any of its Subsidiaries knows of, or has received
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notice of, any violation of the above by any of the other parties thereto which, individually or in the aggregate, would have or would reasonably be expected to have a Material Adverse Effect on HCI.

(b) (i) Each HCI Contract is valid and binding and in full force and effect, (ii) HCI and each of its Subsidiaries has in all material respects performed all obligations required to be performed by it to date under each HCI Contract, and (iii) no event or condition exists which constitutes or, after notice or lapse of time or both, would constitute a material default on the part of HCI or any of its Subsidiaries under any such HCI Contract, except, in each case, where such invalidity, failure to be binding, failure to so perform or default, individually or in the aggregate, would not have or reasonably be expected to have a Material Adverse Effect on HCI.

Section 3.14 Environmental Liability. Except as disclosed in "phase one" environmental reports listed in Section 3.14 of the HCI Disclosure Schedule, there are no legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations or remediation activities or governmental investigations of any nature seeking to impose, or that reasonably could be expected to result in the imposition, on HCI or any of its Subsidiaries of any liabilities or obligations arising under common law standards relating to environmental protection, human health or safety, or under any local, state or federal environmental statute, regulation or ordinance, including, without limitation, the Comprehensive Environmental

Response, Compensation and Liability Act of 1980, as amended (collectively, the "Environmental Laws"), pending or, to the knowledge of HCI, threatened, against

HCI or any of its Subsidiaries, which liabilities or obligations, individually or in the aggregate, would have or would reasonably be expected to have a Material Adverse Effect on HCI. To the knowledge of HCI or any of its Subsidiaries, there is no reasonable basis for any such proceeding, claim, action or governmental investigation that, individually or in the aggregate, would impose any liabilities or obligations that would have or would reasonably be expected to have a Material Adverse Effect on HCI.

Section 3.15 Properties. Section 3.15 of the HCI Disclosure Schedule contains a complete and accurate list of all real property owned by HCI (the "Owned Real Property"). HCI has provided to ALC accurate and complete copies of

title reports covering all Owned Real Property (the "Title Reports"). Section

3.15 of the HCI Disclosure Schedule also contains a complete and accurate list of all options to purchase ("Options to Purchase") or purchase and sale

agreements ("Purchase Agreements") to which HCI is a party. All such Purchase

Agreements are valid, binding and enforceable against HCI in accordance with their terms and are in full force and effect; no event of default has occurred which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a default thereunder on the part of HCI. The zoning ordinances applicable to each Owned Real Property and, to the knowledge of HCI, each real property subject to a

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Purchase Agreement are not inconsistent with the development, construction, use and operation of an assisted living facility. HCI has good and marketable fee simple title to all Owned Real Property, subject only to the following liens, claims and encumbrances: (i) materialmen's, mechanics', carriers', workmen's, repairmen's or other like liens arising in the ordinary course of HCI's business for amounts not yet due or which are being contested in good faith by appropriate proceedings; (ii) liens for current taxes not yet due or any taxes being contested in good faith by appropriate proceedings; and (iii) any other liens, claims or encumbrances affecting title to the Owned Real Property which are set forth on the Title Reports.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ALC

ALC hereby represents and warrants to HCI as follows:

Section 4.1 Corporate Organization.

(a) ALC is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. ALC has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted.

(b) On the Closing Date, Newco will be a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. On the Closing Date, Newco will have the corporate power and authority to effect the Merger and will be duly qualified in Nevada as may be necessary to effect the Merger. The copies of the Articles of Incorporation and Bylaws of Newco, which will be made available to HCI prior to the Closing Date, will be true, complete and correct copies of such documents as in effect on the Closing Date.

Section 4.2 Newco Capitalization, Etc. As of the Closing Date, ALC will own directly 100% of the issued and outstanding shares of capital stock, voting securities or other ownership interests of Newco.

Section 4.3 Authority; No Violation.

(a) ALC has full corporate power and authority to execute and deliver this Agreement and the other documents contemplated to be executed and delivered by ALC in connection with the transactions contemplated hereby (this Agreement, together with such other documents, collectively, the "ALC

Documents") and to consummate the transactions contemplated hereby and thereby.

The execution and delivery of each of the ALC Documents and the consummation of the transactions contemplated hereby and thereby have been duly and validly approved by the Board of Directors of ALC. No other corporate proceedings on the part of ALC are necessary to approve ALC Documents and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and prior to the Effective Time, each other ALC Document will have been, duly and validly executed and delivered by ALC and (assuming due authorization, execution

and delivery by HCI) this Agreement constitutes, and each other ALC Document will constitute, a valid and binding obligation of ALC, enforceable against ALC in accordance with its terms, except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally.

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(b) Neither the execution and delivery of ALC Documents by ALC nor the consummation by ALC of the transactions contemplated hereby and thereby, nor compliance by ALC with any of the terms or provisions hereof or thereof, will (i) violate any provision of the Articles of Incorporation or Bylaws of ALC or any of the similar governing documents of any of its Subsidiaries or (ii) assuming that the consents and approvals referred to in Section 4.4 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to ALC or any of its Subsidiaries or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any Lien upon any of the respective properties or assets of ALC or any of its Subsidiaries under, any of the terms, conditions or provisions of any material contract (as defined in Item 601(b)(10) of Regulation S-K of the Securities and Exchange Commission to which ALC or any of its Subsidiaries is a party, any contract which materially restricts the conduct of the business of ALC or any loan or credit agreement, note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which ALC or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (ii) above) for such violations, conflicts, breaches or defaults which either individually or in the aggregate will not have and would not reasonably be expected to have a Material Adverse Effect on ALC.

(c) On the Closing Date, Newco will have full corporate power and authority to execute and deliver all documents to be executed and delivered by Newco on the Closing Date in connection with the Merger and the transactions contemplated thereby (the "Newco Documents"). The execution and delivery of

each of the Newco Documents and the consummation of the transactions contemplated hereby and thereby will have been duly and validly approved by the Board of Directors of Newco and the stockholder of Newco. No other corporate proceedings on the part of Newco will be necessary to authorize the execution and delivery and performance of the Newco Documents and the consummation of the Merger. Prior to the Effective Time, each Newco Document will have been, duly and validly executed and delivered by Newco and (assuming due authorization, execution and delivery by the other parties to such documents) will constitute, a valid and binding obligation of Newco, enforceable against Newco in accordance with its terms, except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors' rights and remedies generally.

(d) Neither the execution and delivery of Newco Documents by Newco nor the consummation by Newco of the transactions contemplated hereby and thereby, nor compliance by Newco with any of the terms or provisions hereof or thereof, will (i) violate any provision of the Articles of Incorporation or Bylaws of Newco or (ii) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Newco.

Section 4.4 Consents and Approvals. Except for (i) the filing of the Articles of Merger with the Nevada Secretary pursuant to the NRS, (ii) the adoption of the Articles of Merger by the requisite vote of the stockholder of Newco, (iii) the filing of the Articles of Incorporation of Newco with the Nevada Secretary, and (iv) consents and approvals, the failure of which to obtain would not, individually or in the aggregate, have and would not be reasonably expected to have a Material Adverse Effect on ALC, no consents or approvals of, or filings or registrations with, any Governmental Entity or any third party are necessary in connection with (A) the execution and delivery by ALC of the ALC Documents, (B) the execution and delivery by Newco of the Newco Documents, and (C) the

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consummation by ALC and Newco of the Merger and the other transactions contemplated hereby and thereby.

Section 4.5 Vote or Consent Required. No holders of outstanding shares of ALC Common Stock are required to vote or consent to the approval this Agreement, the Merger or the transactions contemplated hereby (under applicable law or otherwise). ALC, as the sole stockholder of Newco, will be required to consent to the approval of Merger and the transactions contemplated thereby (under applicable law or otherwise).

Section 4.6 Opinion of Financial Advisor. ALC has received the

opinion of McDonald & Company Securities, Inc., dated September 8, 1997, satisfactory to ALC, a signed version of which has been provided to HCI, to the effect that the consideration to be received by the holders of the HCI Common Stock under this Agreement is fair to ALC from a financial point of view.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 5.1 Conduct of Businesses Prior to the Effective Time.

During the period from the date of this Agreement to the Effective Time, except as expressly contemplated or permitted by this Agreement or as required by applicable law, HCI shall, and shall cause its Subsidiaries to, (i) conduct its business in the usual, regular and ordinary course consistent with past practice, (ii) use reasonable best efforts to maintain and preserve intact its business organization, employees and advantageous business relationships and retain the services of its officers and key employees and (iii) take no action which would reasonably be expected to adversely affect or delay the ability of either HCI to obtain any approvals of any Governmental Entity required to consummate the transactions contemplated hereby or to perform its covenants and agreements under the HCI Documents. HCI agrees that HCI and its Subsidiaries will not incur indebtedness in excess of \$6.0 million in the aggregate without the prior written consent of ALC, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 5.2 Forbearances. Except (i) for the acquisition of parcels of land where assisted living facilities can be developed that are subject to Options to Purchase as of the date of this Agreement (which acquisition(s) shall have been consented to in writing by ALC (which consent shall not be unreasonably withheld, conditioned or delayed)) or that are subject to Purchase Agreements as of the date of this Agreement, (ii) for the execution and delivery by HCI of Purchase Agreements with respect to additional parcels of land on which assisted living facilities can be developed (the execution and delivery of which shall have been consented to in writing by ALC (which consent shall not be unreasonably withheld, conditioned or delayed)), (iii) for the execution and delivery by HCI of Options to Purchase with respect to additional parcels of land on which assisted living facilities can be developed, and (iv) for the execution and delivery of the LTC Commitment (as defined in Section 7.1(e) hereof), during the period from the date of this Agreement to the Effective Time and, except as expressly contemplated or permitted by this Agreement or as required by applicable law, rule or regulation, HCI shall not and shall not permit any of its Subsidiaries to:

(a) adjust, split, combine or reclassify any capital stock; make, declare or pay any dividend or make any other distribution on (other than a \$2.50 per share distribution by HCI payable in the form of cash, cancellation of indebtedness (including interest thereon) or issuance of indebtedness), or directly or indirectly redeem, purchase or otherwise acquire, any shares of its capital

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stock or any securities or obligations convertible into or exchangeable for any shares of its capital stock, voting securities or other ownership interests, or grant any stock appreciation rights or grant any individual, corporation or other entity any right to acquire any shares of its capital stock, voting securities or other ownership interests (except for the issuance of employee stock options and restricted stock consistent with past practices); or repurchase, redeem or otherwise acquire any shares of its capital stock or any capital stock, voting securities or ownership interests in any Subsidiary; or issue any additional shares of capital stock, voting securities or other ownership interests;

(b) sell, transfer, mortgage, encumber or otherwise dispose of any of its properties or assets to any individual, corporation or other entity other than a direct or indirect wholly owned Subsidiary, or cancel, release or assign any indebtedness to any such person or any claims held by any such person, in each case that is material to such party, except (i) in the ordinary course of business consistent with past practice, (ii) pursuant to contracts or agreements in force at the date of this Agreement in accordance with the terms of such contract or agreement as in effect on the date of this Agreement, (iii) pursuant to plans disclosed in writing prior to the execution of this Agreement to the other party or (iv) for the cancellation of approximately \$5.0 million of indebtedness (plus interest thereon) owing under certain outstanding promissory notes issued by stockholders of HCI;

(c) except for transactions in the ordinary course of business consistent with past practice, make any material acquisition or investment either by purchase of stock or securities, merger or consolidation, contributions to capital, property transfers, or purchases of any property or assets of any other individual, corporation or other entity other than a wholly owned Subsidiary thereof;

(d) except for transactions in the ordinary course of business

consistent with past practice, enter into or terminate any contract or agreement, or make any change in any of its leases or contracts, in each case that is material to such party, other than renewals of contracts and leases without materially adverse changes of terms thereof;

(e) incur any liability for indebtedness, guarantee the obligations of others, indemnify others or, except in the ordinary course of business, incur any other liability;

(f) increase in any material respect the compensation or fringe benefits of any of its employees or pay any pension or retirement allowance not required by any existing plan or agreement to any such employees other than in the ordinary course of business consistent with past practice, or become a party to, amend or commit it itself to any material pension, retirement, profit-sharing or welfare benefit plan or agreement or employment agreement with or for the benefit of any employee or accelerate the vesting of any stock options or other stock-based compensation;

(g) settle any claim, action or proceeding involving money damages which is material to HCI, except in the ordinary course of business consistent with past practice;

(h) take any action that would prevent or impede the Merger from qualifying for the purchase method of accounting;

(i) amend its Articles of Incorporation, Bylaws or similar governing documents in any case in a manner that would materially and adversely effect any party's ability to consummate the Merger or the economic benefits of the Merger to either party;

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(j) take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect at any time prior to the Effective Time, or in any of the conditions to the Merger set forth in Article VII not being satisfied or in a violation of any provision of this Agreement, except, in every case, as may be required by applicable law;

(k) except for capital expenditures approved by LTC Development, Inc. (which approval shall not be unreasonably withheld), incur any capital expenditures in excess of \$5,000 individually or \$25,000 in the aggregate;

(l) make any change in accounting methods, principles or practices, except as required by a change in GAAP; or

(m) agree to, or make any commitment to, take any of the actions prohibited by this Section 5.2.

For purposes of the provisions of this Section 5.2, the execution and delivery of Purchase Agreements with respect to assisted living facilities and the purchase of such facilities are not considered transactions in the ordinary course of business.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 Cooperation as to Regulatory Matters.

(a) The parties hereto shall cooperate with each other and use reasonable best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities which are necessary or advisable to consummate the transactions contemplated by this Agreement (including without limitation the Merger), to comply with the terms and conditions of all such permits, consents, approvals and authorizations of all such Governmental Entities, and to defend any lawsuits or other legal proceedings challenging this Agreement and the transactions contemplated by this Agreement.

(b) ALC and HCI shall, upon request, furnish each other with all information concerning themselves, their Subsidiaries, Newco, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of ALC, HCI, Newco or any of their respective Subsidiaries to any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement.

(c) ALC and HCI shall promptly advise each other upon receiving any communication from any Governmental Entity whose consent or approval is required for consummation of the transactions contemplated by this Agreement which causes such party to believe that there is a reasonable likelihood that

any Requisite Regulatory Approval (as defined below) will not be obtained or that the receipt of any such approval will be materially delayed.

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Section 6.2 Access to Information.

(a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, HCI shall, and shall cause each of its Subsidiaries to, afford to the officers, employees, accountants, counsel and other representatives of the other party access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records, and to its officers, employees, accountants, counsel and other representatives and, during such period, HCI shall, and shall cause its Subsidiaries to, make available to the other party (i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal securities laws (other than reports or documents which HCI, as the case may be, is not permitted to disclose under applicable law) and (ii) all other information concerning its business, properties and personnel as such other party may reasonable request. None of HCI nor any of its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege of the institution in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) Neither HCI nor ALC shall disclose to any third party, other than its directors, officers, employees, accountants, attorneys, advisors or other representatives, information furnished by the other party or any of such party's Subsidiaries or representatives pursuant to Section 6.2(a) hereof, unless such information is otherwise publicly available.

Section 6.3 Stockholders' Approvals. HCI shall either: (i) obtain written consent from holders of the requisite shares of HCI Voting Stock to effect the Merger or (ii) duly call, give notice of, convene and hold a meeting of its stockholders to be held, in each case, as soon as practicable following the date hereof for the purpose of obtaining the requisite stockholder approvals required in connection with this Agreement and the Merger. Subject to the provisions of the next sentence, HCI shall, through its Board of Directors, recommend to its stockholders approval of such matters. The Board of Directors of HCI may fail to make such recommendation, or withdraw, modify or change any such recommendation in a manner adverse to the other party hereto, if such Board of Directors, after having consulted with and considered the advice of outside counsel, has reasonably determined in good faith that the making of such recommendation, or the failure to withdraw, modify or change its recommendation, would constitute a breach of the fiduciary duties of the members of such Board of Directors under applicable law.

Section 6.4 Legal Conditions to Merger. Subject to the terms and conditions of this Agreement, each of ALC and HCI shall, and shall cause their respective Subsidiaries to use their reasonable best efforts (i) to take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal requirements which may be imposed on such party or its Subsidiaries with respect to the Merger and, subject to the conditions set forth in Article VII hereof, to consummate the transactions contemplated by this Agreement and (ii) to obtain (and to cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity and any other third party which is required to be obtained by HCI or ALC or any of their respective Subsidiaries in connection with the Merger and the other transactions contemplated by this Agreement.

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Section 6.5 Indemnification; Directors' and Officers' Insurance.

(a) ALC agrees that from and after the Effective Time, ALC shall, and shall cause the Surviving Corporation to, indemnify and hold harmless each present and former director and officer of HCI and its Subsidiaries, determined as of the Effective Time (the "Indemnified Parties"), against any

costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities (collectively "Costs") incurred in

connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent that HCI or such Subsidiary would have been required to indemnify under the Articles of Incorporation or Bylaws of HCI or such Subsidiary in effect on the date hereof to indemnify such person (and such party shall also advance expenses as incurred to the fullest extent permitted under applicable law; provided, that the person to whom expenses are advanced provides an undertaking

to repay such advances if it is ultimately determined that such person is not entitled to indemnification).

(b) An Indemnified Party wishing to claim indemnification under Section 6.5(a) or (b) hereof upon learning of any such claim, action, suit, proceeding or investigations shall promptly notify the indemnifying party thereof, but the failure to so notify shall not relieve the indemnifying party of any liability it may have to such Indemnified Party except to the extent such failure materially prejudices the indemnifying party. In the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), the indemnifying party shall have the right to assume the defense thereof and it shall not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Parties in connection with the defense thereof, except that, if the indemnifying party elects not to assume such defense or counsel for the Indemnified Parties advises that there are issues which raise conflicts of interest between the indemnifying party and the Indemnified Parties, the Indemnified Parties may retain counsel satisfactory to them, and the indemnifying party shall pay all reasonable fees and expense of such counsel for the Indemnified Parties promptly as statements therefor are received. If such indemnity is not available with respect to any Indemnified Party, then the indemnifying party and the Indemnified Party shall contribute to the amount payable in such proportion as is appropriate to reflect relative faults and benefits.

(c) The provisions of this Section 6.5 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party and his or her heirs and representatives.

Section 6.6 Additional Agreements. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full title to all properties, assets, rights, approvals, immunities and franchises of any of the parties to the merger, the proper officers and directors of each party of this Agreement and their respective Subsidiaries shall take all such necessary action as may be reasonably requested by, and at the sole expense of, ALC; provided, further, that the vote or written consent of the Former HCI Stockholders that, immediately prior to the Effective Time, were holders of a majority of the outstanding shares of HCI Common Stock (including HCI Voting Common Stock and HCI Non-Voting Common Stock) shall be effective for any such further action required on the part of the Former HCI Stockholders and shall be effective and binding upon all Former HCI Stockholders.

Section 6.7 Advise of Changes. HCI shall promptly advise ALC of any change or event which, individually or in the aggregate with other such changes or events, has a Material Adverse

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Effect on HCI or which it believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or covenants contained herein.

Section 6.8 Qualified Sites and Identified Sites. On or prior to Closing, HCI shall notify ALC of: (i) all parcels of land that HCI owns where assisted living facilities can be developed, and (ii) all Options to Purchase or Purchase Agreements to which HCI is a party with respect to such parcels of land where assisted living facilities can be developed. Such notice shall list all such parcels and shall identify up to 39 of such parcels as "Qualified Sites"

for the purposes of this Agreement. Within 90 calendar days following the Effective Time (the "First 90-Day Period"), ALC shall notify the Former HCI

Stockholders in writing of the Qualified Sites on which (or within 15 miles of which) ALC intends to develop an assisted living facility and may identify up to 10 Qualified Sites on which (or within 15 miles of which) it may have an intention to develop an assisted living facility (the "Possible Sites"). Within

90 calendar days following the First 90-Day Period (the "Second 90-Day Period"),

ALC shall notify the Former HCI Stockholders in writing of the Possible Sites on which (or within 15 miles of which) ALC intends to develop an assisted living facility. Each Qualified Site on which (or within 15 miles of which) ALC indicates during the First 90-Day Period that an assisted living facility will be developed shall be considered an "Identified Site" for purposes of this

Agreement. In addition, each Possible Site on which (or within 15 miles of which) ALC indicates during the Second 90-Day Period that an assisted living facility will be developed shall be considered an "Identified Site" for purposes

of this Agreement. For the two-year period following the Effective Time, ALC shall not develop, construct, obtain a certificate of occupancy with respect to, purchase and/or operate an assisted living facility that is at (or within 15 miles of) a Qualified Site, unless such Qualified Site is an Identified Site.

Section 6.9 Formation of Newco. As soon as reasonably practicable following the execution of this Agreement, ALC shall cause Newco to be formed as a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada with the corporate power and authority to effect the Merger.

Section 6.10 No Solicitation of Alternate Transaction. HCI and its Subsidiaries will not, directly or indirectly, and will use its reasonable best efforts to cause its officers, directors and agents not to solicit, initiate or deliberately encourage submission of proposals or offers from any person relating to any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, HCI or any merger, consolidation or business combination with HCI; provided, however, that consistent with its fiduciary obligations under applicable law as advised by counsel, HCI may participate in any discussions or negotiations regarding, and may furnish to any other person information with respect to, any of the foregoing. HCI shall promptly notify ALC if any such proposal or offer, or any inquiry or contact with any person with respect thereto, is made.

Section 6.11 Bring-Down of Representation and Warranties. At the Effective Time, by the filing of the Articles of Merger with the Nevada Secretary, each of HCI and ALC shall be deemed to have affirmed in all material respects the representations and warranties that are not qualified as to materiality in Articles III and IV, respectively, as if made on such Closing Date (except to the extent such representations and warranties speak as of an earlier date) and shall be deemed to have affirmed the representations and warranties that are qualified as to materiality in Articles III and IV, respectively, as if made on such Closing Date (except to the extent such representations and warranties speak as of an earlier date); provided, however, HCI shall have the right to amend the HCI Disclosure Schedule, so long as such amended HCI Disclosure Schedule is not materially different from the HCI Disclosure Schedule provided to ALC on the date of this Agreement; it being understood that HCI shall, nonetheless, be permitted to amend Sections 3.15 of the HCI Disclosure Schedule, whether or not material, to provide

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for the addition of any Owned Real Property and/or Purchase Agreements (so long as such Owned Real Property is acquired and/or such Purchase Agreements are entered into, as the case may be, in accordance with the provisions of Section 5.2(a) hereof) and/or to provide for the addition of any Options to Purchase, in each case, with respect to parcels of land on which assisted living facilities can be developed (as contemplated by Section 6.8 hereof).

Section 6.12 Guarantee of HCI Obligations. At the Effective Time, ALC shall guarantee the performance of all obligations of HCI owing to LTC Properties, Inc. ("LTC"), including without limitation, the obligations of HCI pursuant to the LTC Commitment (as defined in Section 7.1(e) hereof) and pursuant to the note to be issued to LTC in connection with the \$2.50 per share distribution to HCI stockholders.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. This Agreement, the Merger and the transactions contemplated hereby and thereby shall have been approved and adopted by the requisite affirmative votes or written consent of the holders of HCI Common Stock entitled to vote thereon.

(b) Other Approvals. All material regulatory approvals required to consummate the transactions contemplated hereby shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or been terminated (all such approvals and the expiration of all such waiting periods being referred to herein as the "Requisite Regulatory Approvals") and no such approval shall contain any conditions or restrictions which the Board of Directors of either ALC or HCI reasonably determines in good faith will have or reasonably be expected to have a Material Adverse Effect on ALC and its Subsidiaries (including the Surviving Corporation and its Subsidiaries) taken as a whole.

(c) No Injunctions or Restraints; Illegality. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Merger or any of the other transactions contemplated by this Agreement shall be in effect. No statute, rule, regulation, order, injunction or

decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits, restricts or makes illegal the consummation of the Merger.

(d) Consents. All consents and waivers from third parties necessary in connection with the consummation of the transactions contemplated by this Agreement shall have been obtained, other than such consents and waivers from third parties which, if not obtained, would not result in a Material Adverse Effect on ALC and its Subsidiaries (including the Surviving Corporation and its Subsidiaries) taken as a whole.

(e) Commitment Between HCI and LTC. HCI and LTC shall have entered into a commitment (the "LTC Commitment"), subject to the approval of ALC -----
(which approval shall not

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be unreasonably withheld), with respect to the financing by LTC of up to \$50,000,000 in connection with HCI's development and construction of assisted living facilities.

Section 7.2 Conditions to Obligations of ALC. The obligation of ALC to effect the Merger is also subject to the satisfaction or waiver by ALC at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of HCI set forth in Article III hereof that are not qualified as to materiality shall be true and correct in all material respects as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date; the representations and warranties of HCI set forth in Article III hereof that are qualified as to materiality shall be true and correct in all respects as if made on such date as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date.

(b) Performance of Obligations of HCI. HCI shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Licensing and Certification. The licenses and certifications of HCI and its Subsidiaries that are necessary for HCI and its Subsidiaries, as the case may be, to be Medicare and Medicaid providers or to provide home health or hospice services, shall not be subject to a notice of termination or suspension or be suspended or terminated and there shall be no notice of termination, issued pursuant to HCFA State Operations Manual (S)3010(B), pending as against any assisted living facility operated by HCI.

(d) Estoppel Certificate. LTC shall have executed and delivered a certificate to ALC confirming that: (i) LTC is aware of no defects by HCI on any of its obligations to LTC; (ii) all commitments made by LTC to HCI pursuant to the LTC Commitment shall remain in full force and effect after the consummation of the transactions contemplated by this Agreement; and (iii) the terms in the construction loans between HCI and LTC requiring a 30-day notice of prepayment shall be modified to a 10-day notice of prepayment; provided, however, that at the time of any such prepayment HCI shall confirm its obligation to effect sale and leaseback transactions of the properties subject to such construction loans in accordance with the terms of the LTC Commitment.

(e) ALC/HCI License Agreement. HCI shall have paid ALC all license fees owed to ALC pursuant to the Agreement Regarding License to Use Proprietary Information and Materials entered into as of the 15th day of June, 1997 by and between HCI and ALC.

(f) Closing Certificates. HCI shall provide any closing certificates, in a form reasonably acceptable to ALC, as ALC shall reasonably request to evidence satisfaction of the conditions set forth in Sections 7.1 and 7.2 hereof.

Section 7.3 Conditions to Obligations of HCI. The obligation of HCI to effect the Merger is also subject to the satisfaction or waiver by HCI at or prior to the Effective Time of the following conditions:

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(a) Representations and Warranties. The representations and warranties of ALC set forth in Article III hereof that are not qualified as to materiality shall be true and correct in all material respects as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as of the Closing Date as though made on and as of the Closing Date; the representations and warranties of set forth in Article III hereof that are qualified as to materiality shall be true and correct in all respects as if made on such date as of the date of this Agreement (except to the extent such representations and warranties speak as of an earlier date) and as

of the Closing Date as though made on and as of the Closing Date.

(b) Performance of Obligations of ALC. ALC shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Closing Certificates. ALC shall provide any closing certificates, in a form reasonably acceptable to HCI, as HCI shall reasonably request to evidence satisfaction of the conditions set forth in Sections 7.1 and 7.3 hereof.

ARTICLE VIII

TERMINATION AND AMENDMENT

Section 8.1 Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time:

(a) by mutual consent of ALC and HCI in a written instrument, if the Board of Directors of each so determines;

(b) by either the Board of Directors of ALC or the Board of Directors of HCI if a Governmental Entity of competent jurisdiction shall have issued a final nonappealable order enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(c) by either the Board of Directors of ALC or the Board of Directors of HCI if the Merger shall not have been consummated on or before December 31, 1997 (or, if at such date the Merger shall not have been consummated as a result of the failure of the condition set forth in Section 7.1(d) hereof to be satisfied, and such condition shall not have failed to have been satisfied by reason of the enactment or promulgation of any statute, rule or regulation which prohibits, restricts or makes illegal consummation of the Merger, the earlier of (i) the date on which such condition is satisfied and (ii) December 31, 1997) unless the failure of the Closing to occur by such date shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein;

(d) by either the Board of Directors of ALC or the Board of Directors of HCI (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if the other party shall have breached (i) any of the covenants or agreements made by such other party herein or (ii) any of the representations or warranties made by such other party herein, and in either case, such breach (x) is not cured within thirty days following written notice to the party committing such breach, or which breach, by its nature, cannot be

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cured prior to the Closing and (y) would entitle the non-breaching party not to consummate the transactions contemplated hereby under Article VII hereof; and

(e) by either the Board of Directors of ALC or the Board of Directors of HCI if any approval of the stockholders of HCI contemplated by this Agreement shall not have been obtained by reason of the failure to obtain the required vote at a duly held meeting of stockholders or at any adjournment or postponement thereof.

Section 8.2 Effect of Termination. In the event of termination of this Agreement by either ALC or HCI as provided in Section 8.1 hereof, this Agreement shall forthwith become void and have no effect, and none of ALC, HCI, any of their respective Subsidiaries or any of the officers or directors of any of them shall have any liability of any nature whatsoever hereunder, or in connection with the transactions contemplated hereby, except (i) Sections 6.2(b), 8.2, and 9.3 hereof shall survive any termination of this Agreement, and (ii) notwithstanding anything to the contrary contained in this Agreement, neither ALC nor HCI shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement.

Section 8.3 Amendment. Subject to compliance with applicable law, this Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before approval of the matters presented in connection with the Merger by the stockholders of HCI. Subject to compliance with applicable law, this Agreement may be amended or compliance with the provisions hereof may be waived by the parties hereto at any time after approval of the matters presented in connection with the Merger by the stockholders of HCI, by action taken or authorized by their respective Board of Directors, and by vote or written consent of holders of a majority of the then outstanding shares of HCI Voting Common Stock (if such action is taken prior to the Effective Time) or by vote or written consent of Former HCI Stockholders that, immediately prior to the Effective Time, were holders of a majority of the outstanding shares of HCI Common Stock (including HCI Voting Common Stock and HCI Non-Voting Common Stock) (if such action is taken after the

Effective Time). This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 8.4 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

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ARTICLE IX

GENERAL PROVISIONS

Section 9.1 Closing. Upon the terms and subject to the conditions of this Agreement, the closing of the Merger (the "Closing") shall take place at

10:00 a.m. on a date to be specified by the parties, which unless otherwise agreed by the parties shall be no later than two business days after the satisfaction or waiver (subject to applicable law) of the latest to occur of the conditions set forth in Article VII hereof (the "Closing Date").

Section 9.2 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except for those covenants and agreements contained herein and therein which by their terms apply in whole or in part after the Effective Time.

Section 9.3 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense.

Section 9.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed driven if delivered personally, telecopied (with confirmation), mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

- (a) if to ALC, Newco or the Surviving Corporation to:

Assisted Living Concepts, Inc.
9955 Southeast Washington
Suite 201
Portland, Oregon 97216
Telecopy: (503) 252-6597
Attention: Chief Financial Officer

with a copy to:

Bullivant Houser Bailey Pendergrass & Hoffman
300 Pioneer Tower
888 Southwest 5th Avenue
Portland, Oregon 97204
Telecopy: (503) 295-0915
Attention: Sandra Campbell, Esq.

- (b) if to HCI, to:

Home and Community Care, Inc.
300 Esplanade Drive
Suite 1860
Oxnard, California 93030

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Telecopy: (805) 981-8655
Attention: Andre Dimitriadis

with a copy to:

Latham & Watkins
633 West Fifth Street
Suite 4000
Los Angeles, California 90071

Section 9.5 Interpretation. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Whenever the word "material" is used in this Agreement and the context in which it is used refers to any of the parties to this Agreement or any of their respective Subsidiaries, it shall be deemed to be followed by "to [HCI] [ALC] and its Subsidiaries, taken together as a whole," as applicable. No provision of this Agreement shall be construed to require HCI, ALC or any of their respective Subsidiaries or Affiliates to take any action which would violate or conflict with any applicable law (whether statutory or common), rule or regulation.

Section 9.6 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 9.7 Entire Agreement. This Agreement (together with the documents and the instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written or oral, among the parties with respect to the subject matter hereof, the HCI Documents and ALC Documents.

Section 9.8 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Nevada, without regard to any applicable conflicts of law.

Section 9.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 9.10 Publicity. Except as otherwise required by applicable law or the rules of the ASE, neither ALC nor HCI shall, or shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement without the written consent of the other party, which consent shall not be unreasonably withheld.

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Section 9.11 Assignment; Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations of any party hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party provided that ALC shall not be required to obtain any consent, after the Effective Time, in the event this Agreement or the rights, interests or obligations hereunder are assigned to, and the related obligations are assumed by, a wholly-owned subsidiary of ALC, as long as ALC shall, contemporaneous with such assignment and assumption, guarantee the payment of any obligations owed hereunder, including the Earnout Payments. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Except as otherwise specifically provided in Section 6.5 hereof, this Agreement (including the documents and instruments referred to herein) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder. After the Effective Time, a vote or the written consent of the holders of a majority of the then outstanding shares of HCI Common Stock (including HCI Voting Common Stock and HCI Non-Voting Common Stock) shall be required to permit the assignment of this Agreement and any of the rights, interests or obligations of the Former HCI Stockholders hereunder and such vote or written consent shall be effective and binding upon all Former HCI Stockholders.

Section 9.12 Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

IN WITNESS WHEREOF, ALC and HCI have caused this Agreement to be executed by their respective authorized signatories as of the date first above written.

ASSISTED LIVING CONCEPTS, INC.

By: /s/ Stephen Gordon

Stephen Gordon
Chief Financial Officer

HOME AND COMMUNITY CARE, INC.

By: _____

Andre Dimitriadis
Chairman of the Board

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EXHIBIT A

ARTICLES OF MERGER OF

[ALC SUB],
A NEVADA CORPORATION

INTO

HOME AND COMMUNITY CARE, INC.,
A NEVADA CORPORATION

The undersigned, as the President and Secretary of Home and Community Care, Inc., a Nevada corporation (the "Surviving Constituent Entity"), and of [ALC SUB], a Nevada corporation (the "Merged Constituent Entity" and, together with the "Surviving Constituent Entity", the "Constituent Entities"), as and for the purpose of complying with the provisions of Nevada Revised Statutes ("NRS") 92A.005 et seq., and in order to effectuate the merger of the Merged Constituent Entity into the Surviving Constituent Entity (the "Merger"), hereby certify as follows:

1. The jurisdiction of organization of each Constituent Entity is the State of Nevada.

2. A plan of merger (the "Plan of Merger") has been adopted by the Board of Directors of each Constituent Entity. The Plan of Merger has been approved by the sole stockholder of the Merged Constituent Entity. Pursuant to NRS Chapter 92A and the Surviving Constituent Entity's Articles of Incorporation and Bylaws, the Plan of Merger was submitted to the holders of the Surviving Constituent Entity's issued and outstanding common stock entitled to vote ("Voting Stock"), a majority thereof (___ of ___ shares of Voting Stock) were required to approve and did approve the Plan of Merger, and such majority vote of the Voting Stock was sufficient for approval of the Plan of Merger by the stockholders of the Surviving Constituent Entity.

3. [The Articles of Incorporation of the Surviving Constituent Entity have not been and will not be amended in connection with the Merger.] [The Articles of Incorporation of the Surviving Constituent Entity will be amended as of the effective date of the Merger in the following respects:

_____.]

4. A complete executed Plan of Merger is on file at the registered office of the Surviving Constituent Entity, currently: _____

_____.

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5. A copy of the Plan of Merger will be furnished by the Surviving Constituent Entity on request and without any cost to any stockholder of either Constituent Entity.

6. The effective date of the Merger is [the date upon which these Articles of Merger are filed in the office of the Secretary of State of Nevada] [the ___ day of _____, 199__, which is not more than 90 days after these Articles of Merger shall have been filed in the office of the Secretary of State of Nevada].

IN WITNESS WHEREOF, we have set forth our hands as of the ____ day of _____, 199__.

Surviving Constituent Entity

HOME AND COMMUNITY CARE, INC., a Nevada corporation

Merged Constituent Entity

[ALC SUB], a Nevada corporation

_____, President

_____, Secretary

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State of _____)
County of _____) ss.

This instrument was acknowledged before me on _____, 199__ by
[_____], as _____ of Home and Community
Care, Inc., a Nevada corporation.

Notary Public

State of _____)
County of _____) ss.

This instrument was acknowledged before me on _____, 199__
by _____ as President of _____ a Nevada corporation.

Notary Public

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EXHIBIT B

EXHIBIT "B"

EXCHANGE CERTIFICATE
FOR
COMMON STOCK OF HOME AND COMMUNITY CARE, INC.

I, _____ (name of shareholder), in accordance with that

Agreement and Plan of Merger and Reorganization By and Between Assisted Living
Concepts, Inc., a Nevada corporation, and Home and Community Care, Inc., a
Nevada corporation, dated October 4, 1997, ("the Merger Agreement"), hereby
certify that:

1. I am in receipt of a copy of the Merger Agreement.

2. I am the sole and absolute owner of _____ (no. of shares) shares of

common stock of Home and Community Care, Inc., ("HCI"), a Nevada corporation.

3. These shares of stock are represented by certificate no(s). _____
issued by HCI and such certificate(s) is/are attached hereto and hereby
surrendered in exchange for the Merger Consideration (as such term is defined at

section 1.4(a) of the Merger Agreement) as contemplated by Article II of the Merger Agreement.

4. I have the sole and exclusive right to sell and transfer these shares of stock.

5. The shares of stock are fully paid and nonassessable and are not subject to any liens, mortgages or other encumbrances or claims of any kind or nature and are surrendered free and clear of any liens, mortgages, or encumbrances.

6. My current mailing address is :

7. All payments, notices, and correspondence from Assisted Living Concepts, Inc. ("ALC"), in connection with the Merger Agreement, should be delivered at the address noted above, unless I notify ALC in writing of a new mailing address.

8. I acknowledge and agree that, in accordance with the terms of the Merger Agreement, the vote or written consent of a majority of the Former HCI Shareholders (as such

PAGE 1 - COMMON STOCK EXCHANGE CERTIFICATE

term is defined at section 2.3(a) of the Merger Agreement) shall be required before the terms of the Merger Agreement may be amended or before the Merger Agreement or any of the rights, interests or obligations of ALC under the Merger Agreement may be assigned, and, if such a majority of the Former HCI Shareholders so vote or consent, such vote or consent shall be binding on me or my assignee.

9. I further acknowledge and agree that all notices and other communication to ALC shall be delivered to ALC at the following address, unless ALC notifies me in writing of a new mailing address, and that all such notices or communications must specifically identify the Merger Agreement:

Chief Financial Officer
Assisted Living Concepts, Inc.
9955 S.E. Washington
Suite 201
Portland, Oregon 97216
Attn: Former HCI Shareholder Obligations

with a copy to:

Bullivant Houser Bailey Pendergrass & Hoffman
300 Pioneer Tower
888 S.W. 5th Avenue
Portland, Oregon 97204
Attn: Sandra Campbell, Esq.

10. This certificate shall be binding upon any successor-in-interest, including my heirs, personal representatives, agents and assignees.

DATED this _____ day of _____, 19__.

By: _____

Name: (Print)

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EXHIBIT C

DISCLOSURE SCHEDULE OF HOME AND COMMUNITY CARE, INC.

October 4, 1997

The following are schedules for and exceptions to the representations and warranties set forth in Article III of the Agreement and Plan of Merger and

Reorganization (the "Agreement") by and between Assisted Living Concepts, Inc., a Nevada corporation ("ALC") and Home and Community Care, Inc. ("HCI"), providing for a newly formed, wholly-owned subsidiary of ALC incorporated in the state of Nevada to merge with and into HCI. Any terms defined in the Agreement shall have the same meaning when used in this Disclosure Schedule, unless the context indicates otherwise. Notwithstanding any materiality qualification in any representations and warranties in the Agreement, for administrative ease, certain items have been included herein which may not be considered by HCI to be material to the business, results of operations, or financial condition of HCI and its Subsidiaries, taken as a whole. The inclusion of any item herein shall not be deemed to be an admission by HCI that such item is material to the business, results of operations, or financial condition of HCI and its Subsidiaries, taken as a whole, nor shall it be deemed an admission of any obligation or liability to any third party. References to section headings and subsections have been included to indicate that such disclosures are directly applicable to such sections and subsections. Any disclosures set forth on any schedule or section herein is deemed to be set forth on all other schedules and sections.

HCI DISCLOSURE SCHEDULE

SECTION 3.6 FINANCIAL STATEMENTS; UNDISCLOSED LIABILITIES

1. In connection with a \$2.50 per share distribution to HCI stockholders, HCI intends to issue a \$5,000,000 note to LTC Properties, Inc., which note will bear interest at a market rate of interest and shall be due in full upon the earlier of (i) the closing date of a public offering of securities of ALC and (ii) December 31, 1997.
2. As of September 30, 1997, HCI had \$296,000 in construction loans outstanding.
3. As of September 30, 1997, HCI's subsidiaries had \$96,000 of capital lease obligations outstanding.
4. See Section 3.13(a) of the HCI Disclosure Schedule.

SECTION 3.8 ABSENCE OF CERTAIN CHANGES OR EVENTS

1. Due to a health condition, Nancy Bannister, Pacesetter's President, no longer works "full time" at Pacesetter. Ms. Bannister is on a part-time schedule.
2. The general accounting office (GAO) reported to Congress in July, 1997, that federal regulators are failing to adequately police home-health agencies, resulting in extensive and expensive problems in Medicare's home-health program. In response to the GAO report, the federal government announced on September 15, 1997, that home health care providers will be targeted in a growing federal crackdown. The announced federal compliance program will institute a three-step process in an effort to prevent unscrupulous operators from becoming Medicare providers and significantly increase the level of scrutiny to which existing companies in the program are subjected. The first step in this program was to institute an immediate moratorium on the admission of new home health care agencies to Medicare. During the moratorium on new providers, Health Care Financing Administration ("HCFA") will develop strict new conditions of participation. HCFA also will double the number of audits of home-health agencies it performs each year and increase substantially the number of claims reviews.

Under the new home health regulations to be proposed, HCFA will require periodic recertification of home-health agencies to determine if they meet the beefed-up conditions of participation. As part of the re-certification process, agencies will have to submit an independent audit of their records and practices. If the provider does not meet the strict new enrollment requirements, they will not be renewed as providers in Medicare. In addition, home health agencies will be required to post surety bonds of at least \$50,000 before they can enroll or re-enroll in Medicare. A related rule will require new agencies to have enough funds on hand to operate for the first three to six months.

The regulations to be proposed by HCFA may require HCI to restructure its operation of home health agencies to conform to the new Medicare conditions of participation ultimately adopted.

3. See Section 3.13(a) of the HCI Disclosure Schedule.

SECTION 3.11(a) EMPLOYEES

PACESETTER LIST OF EMPLOYEE BENEFITS

- (1) Health Insurance: Administered by Employers Health Insurance
Humana Network
Employee premium paid 100% by Pacesetter
Includes \$15,000 life insurance for each employee paid

100% by Pacesetter

- (2) 401(K) Plan: Legal name - Pacesetter Home Health Care, Inc. 401(k) Plan and Trust
Administered by Rogers and Associates located in Fort Worth, TX
Administration costs paid 100% by Pacesetter
Employer contributions to plan are discretionary
- (3) Employment Agreements: Carole Eldridge - 2 year contract dated 1/1/96 - 12/31/97
Nancy Bannister - 2 year contract dated 1/1/96 - 12/31/97
- (4) Paid Time Off: Full-time employees accrue 22 paid days off per year at the rate of 6.77 hours per pay period (26 periods)
Full-time hourly employees accrue paid days off at the rate of 0.67 hours per 8 hours worked
- PTO carried forward cannot exceed 240 hours

SECTION 3.11(b)

None.

SECTION 3.13(a) - CERTAIN CONTRACTS

HCI MATERIAL AGREEMENTS

SCHEDULE 3.13(a)

HOME AND COMMUNITY CARE, INC. (HCI) MATERIAL AGREEMENTS/1/

1. Standard Form of Agreement Between Owner and Architect dated August 1, 1997 between HCI and Kirkwood Rodell Associates, PS.
2. Promissory Note dated May 19, 1997 between LTC Properties, Inc. (Maker) and LTC Ventures, Inc. (Payee) (predecessor in name to HCI).
3. Cross Receipt (in reference to Subscription Agreement dated March 27, 1997) dated May 19, 1997 delivered by LTC Properties, Inc. to LTC Ventures, Inc. (predecessor in name to HCI).
4. Cross Receipt (in reference to Subscription Agreement dated March 27, 1997) dated March 27, 1997 delivered by LTC Properties, Inc. to LTC Ventures, Inc. (predecessor in name to HCI).
5. Cross Receipt (in reference to Promissory Note dated May 19, 1997) dated May 19, 1997 delivered by LTC Ventures, Inc. (Payee) (predecessor in name to HCI) to LTC Properties, Inc. (Maker).
6. Development Services Agreement dated June 25, 1997 between LTC Ventures, Inc. (predecessor in name to HCI) and Walken-Tinsley Interests, Inc.
7. Assignment and Assumption of Contracts and Rights dated June 9, 1997 between LTC Development Company, Inc. and LTC Ventures, Inc. (predecessor in name to HCI).
8. Agreement Regarding License to Use Proprietary Information and Materials dated as of June 15, 1997 between HCI and Assisted Living Concepts, Inc.
9. Standard Form Agreement Between Owner and Contractor dated August 8, 1997 between HCI and R.D. Stewart, Inc. (Atlantic, Iowa).
10. Standard Form of Agreement between Owner and Contractor dated July 17, 1997 between HCI and R.D. Stewart, Inc. (Denison, Iowa).
11. Commitment Letter Re: Commitment for Construction Financing dated June 27, 1997 by LTC Properties, Inc. in favor of HCI, as amended and restated by Amended and Restated Commitment Letter dated as of _____, 1997 by LTC Properties, Inc. in favor of HCI.

/1/ The attached list represents all material agreements of which the representatives of the HCI shareholders ("Representatives") who have been negotiating the Merger Agreement on behalf of HCI are aware or have been informed as of this date.

12. Promissory Note in the original principal amount of \$1,000,000 dated _____, 1997 by HCI (Maker) in favor of LTC Properties, Inc. (Payee).

13. Subscription Agreements dated as of March 27, 1997 between each Accredited Investor, on the one hand, and LTC Ventures, Inc. (predecessor in name to HCI), on the other hand.
14. Purchase and Sale Agreements, as amended (if applicable), executed by HCI, as purchaser, and respective sellers with respect to sites located in: Baton Rouge, LA; Bunkie, LA; Council Bluffs, IA; Milton, FL; Pensacola, FL; Brazil, IN; Greensburg, IN; LaPorte, IN; Lawrenceburg, IN; Mooresville, IN; Plainfield, IN; Princeton, IN; Middletown, OH.
15. Memoranda of Purchase and Sale Agreements executed by HCI, as purchaser, and respective sellers with respect to sites located in: Greensburg, IN; Lawrenceburg, IN; Princeton, IN; Baton Rouge, LA.

- - - - -
- 2 One or more of these Option Agreements may have expired.
 - 3 HCI shareholders have received conflicting reports as to the existence of a signed Purchase and Sale Agreement for a site in Baton Rouge, Louisiana, and cannot determine whether such an agreement has been executed.

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SECTION 3.13(a) - CERTAIN CONTRACTS (CONTINUED)

PACESETTER MATERIAL AGREEMENTS

SCHEDULE 3.13(a)

PACESETTER MATERIAL AGREEMENTS

- - - - -
1. Contract to Provide Hospice Services under the Texas Medical Assistance Program dated October 1, 1996 between Texas Dept. of Human Services and Pacesetter Hospice, Inc. Amended November 1, 1996.
 2. Service Agreement dated May 13, 1996 between Pacesetter Hospice, Inc. and Rhema Medical.
 3. Agreement Between Pharmacy and Hospice dated June 9, 1997 between Super Value Pharmacy and Pacesetter Hospice, Inc.
 4. Ambulance Service Agreement dated May 9, 1996 between Pacesetter Hospice, Inc. and Central Ambulance- A MedTrans Company.
 5. Letter Confirmation of Agreement to Provide Ambulance Service dated May 15, 1996 between Rural/Metro Ambulance of Arlington and Pacesetter Hospice.
 6. Nursing Home and Health Agency Authorization Form for Profiles dated June 7, 1996 between SmithKline Beecham Clinical Laboratories and Pacesetter Hospice, Inc.
 7. Kroger Pharmacy Plan Participation Agreement dated June 15, 1996 between The Kroger Co. - Dallas Division and Pacesetter Hospice.
 8. Agreement Between Pharmacy and Hospice dated September 25, 1996 between Total Health Care Pharmacy and Pacesetter Hospice, Inc.
 9. Agreement Between Pharmacy and Hospice dated October 14, 1996 between Justin Pharmacy and Pacesetter Hospice, Inc.
 10. Pharmacy Services Agreement dated June 15, 1996 between Pacesetter Hospice and Eckerd Corporation.
 11. Agreement Between Pharmacy and Hospice dated May 15, 1997 between American Pharmaceutical and Pacesetter Hospice, Inc.
 12. Agreement Between Pharmacy and Hospice dated September 25, 1996 between Tam Pharmacy and Pacesetter Hospice, Inc.
 13. Agreement Between Inpatient Care Facility and Hospice dated June 11, 1997 between People's Nursing Center and Pacesetter Hospice, Inc.
 14. Agreement Between Nursing Home and Pacesetter Hospice dated June 11, 1997 between People's Nursing Center and Pacesetter Hospice, Inc.
 15. Agreement Between Nursing Home and Hospice dated April 4, 1997 between Weatherford Health Care and Pacesetter Hospice.
 16. Agreement Between Hospice and Hospice Medical Director dated April 1, 1997 between Pacesetter Hospice, Inc. and Herman Rose, M.D.
 17. Contractual Agreement dated August 5, 1996 between Pacesetter Home Health Care, Inc. and Kineticare Rehab Services.

18. Contractual Agreement dated November 12, 1996 between Pacesetter Home Health Care, Inc. and Home Health Physical Therapy Services Limited.
19. Contractual Agreement dated April 23, 1997 between Pacesetter Home Health Care, Inc. and Healthtech.
20. Contract Under Arrangement for Home Rehabilitation Services dated August 1, 1997 between Focus on Rehab and Pacesetter Home Health.
21. Contracted Services Agreement dated June 16, 1997 between C.C.L. Physical Therapy, P.C. and Pacesetters.
22. Clinical Laboratory Service Agreement dated September 4, 1996 between BAN Laboratories and Pacesetter Home Health, Inc.
23. Extended Care Provider Contract dated August 1, 1996 between Blue Cross and Blue Shield of Texas, Inc. (BCBSTX) and Pacesetter Home Health Care Inc.
24. Pacesetter Nutritional Services Agreement dated October 29, 1996 between Susan Maier, R.D. and Pacesetter Hospice, Inc.
25. Home Health Services Agreement dated April 8, 1996 between Premier Health Staff Inc. and Pacesetter Hospice, Inc.
26. Supplemental Staffing Agreement dated February 20, 1997 between Pacesetter Hospice Home Health and Nurses PRN of Dallas, Inc.
27. Agreement Between Outpatient Facility and Pacesetter Hospice dated October 14, 1996 between M.D. Anderson and Pacesetter Hospice, Inc.
28. Contractual Agreement dated April 17, 1996 between Sharon Hutchison, LMSW and Pacesetter Home Health Care, Inc.

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29. Pacesetter Nutritional Services Agreement dated January 29, 1997 between Erin Shanafelt, R.D. and Pacesetter Home Health Care, Inc.
30. Pacesetter Nutritional Services Agreement dated January 6, 1997 between Jean Wisner, R.D. and Pacesetter Home Health Care, Inc.
31. Contractual Agreement dated October 9, 1996 between Super Value Pharmacy and Pacesetter Home Health Care, Inc.
32. Supplemental Staffing Agreement--Home Care dated March 26, 1997 between Pacesetter Home Health and Maxim Healthcare Services, Inc.
33. Contractual Agreement dated February 7, 1997 between Lifeline Home Health Care and Pacesetter Home Health Care, Inc.
34. Personnel Service Agreement dated May 21, 1997 between New Era Health Care, Inc. and Pacesetter Home Health Care, Inc.
35. Contractual Agreement dated March 26, 1997 between Jeanette Ghesquiere, R.N., E.T. and Pacesetter Home Health Care, Inc.
36. Agreement for Disposal of Hazardous Waste dated April 7, 1997 between Pacesetter Home Health Care, Inc. and MacKenzie House Assisted Living Facility (owned by ALC).
37. Nutritional Services Agreement dated May 10, 1996 between Gina Drillette, R.D. and Pacesetter Hospice, Inc.
38. Contractual Agreement dated December 6, 1996 between Pacesetter Home Health Care, Inc. and Fox Physical Therapy & Rehabilitation/Eric Fox, Physical Therapist.
39. Therapy Services Contract dated August 1, 1997 between Allied Rehabilitation Services, Inc. and Pacesetter Home Health.
40. Contractual Agreement dated December 10, 1996 between Shannon Moltz, Occupational Therapist and Pacesetter Home Health Care, Inc.
41. Contractual Agreement dated July 23, 1996 between Pacesetter Home Health Care, Inc. and Concepts for Health Care, Inc., as amended December 9, 1996.
42. Home Health Services Agreement dated February 9, 1996 between Pacesetter Home Health Care, Inc. and Premier Health Staff, Inc.
43. Contractual Agreement dated December 11, 1996 between Pacesetter Home Health Care, Inc. and The Well Mill.

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44. Pre-Independent Contract Speech Therapy Services dated August 16, 1996

between Bowie Speech and Hearing, Inc. and Pacesetter Home Health.

45. Interpreting Service Contract dated January 24, 1997 between Goodrich Center for the Deaf and Pacesetter Home Health Care, Inc.
46. Therapy Online, Inc. Services Agreement dated June 23, 1997 between Therapy Online, Inc. and Pacesetter Home Health
47. Independent Contractor Agreement dated June 13, 1997 between Pacesetter Home Health Care, Inc. and Superior Therapy and Rehabilitation.
48. Physical Therapy Service Agreement dated June 12, 1997 between SSJ Enterprises, Inc. and Pacesetter Home Health Care, Inc.
49. Contractual Agreement dated December 1, 1996 between Kimberly Stowell, LMSW and Pacesetter Home Health Care, Inc.
50. Contractual Agreement dated December 10, 1996 between Pacesetter Home Health Care, Inc. and West Texas Rehabilitation Center.
51. Contractual Agreement dated July 29, 1996 between Marshall Physical Therapy, Inc. and Pacesetter Home Health Care, Inc.
52. Management Agreement between Pacesetter Hospice, Inc. and Hospicare, Inc. (an affiliate of Delta Health Group, Inc.) and Hospice Non-Competition Agreement among Pacesetter Hospice, Inc., Hospicare, Inc. and Delta Health Group, Inc.
53. Management Agreement between Pacesetter Hospice, Inc. and Willow Way, Inc. (an affiliate of Retirement Care Associates, Inc.) and Hospice Non-Competition Agreement among Pacesetter Hospice, Inc., Willow Way, Inc. and Retirement Care Associates, Inc.
54. Medicare Agreement for Pacesetter Home Health Care, Inc. effective April 30, 1996 (referenced in letter from Dept. of Health & Human Services, but not enclosed).
55. Medicare Agreement for Pacesetter Hospice, Inc. effective July 9, 1996 (referenced in letter from Dept. of Health and Human Services, but not enclosed).
56. Employment Agreement dated July 17, 1996 between Pacesetter Home Care Group, Inc. and Nancy Bannister.
57. Employment Agreement dated July 17, 1996 between Pacesetter Home Care Group, Inc. and Carole Eldridge.

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58. Health Insurance Benefit Agreement dated July 29, 1997 between the Secretary of Health and Human Services and Pacesetter Home Health Care, Inc. (Marshall, Texas location).
59. Health Insurance Benefit Agreement dated July 29, 1997 between the Secretary of Health and Human Services and Pacesetter Home Health Care, Inc. (Marshall, Texas location).
60. Health Insurance Benefit Agreement dated July 9, 1996 between the Secretary of Health and Human Services and Pacesetter Hospice, Inc. (Fort Worth, Texas location).
61. Pacesetter Home Care Schedule of Leases thru September 30, 1997 (specific schedule attached).
62. Lease Agreement dated October 1, 1996 between ALC and Pacesetter Home Health Care, Inc. demising the premises as described in Exhibit "A".

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PACESETTER HOME CARE
SCHEDULE OF LEASES
THRU SEPTEMBER 30, 1997
<TABLE>
<CAPTION>

LESSOR	COMMENCEMENT DATE	TERMINATION DATE	LEASE TERM	MONTHLY AMOUNT
<S>	<C>	<C>	<C>	<C>
XEROX (COPIER LEASE)	7/1/96	6/30/99	3 YEARS	406.66
AMERICAN BUSINESS CREDIT CORP (COPIER LEASE)	8/22/96	11/21/99	39 MONTHS	103.55
INTER-TEL LEASING, INC. (PHONE SYSTEM)	5/15/96	5/14/99	3 YEARS	134.39

COMPTON LEASING (COMPUTER EQUIPMENT)	5/28/96	5/30/99	3 YEARS	1,007.14
COMPTON LEASING (COMPUTER EQUIPMENT)	6/7/96	5/30/99	3 YEARS	279.75
COMPTON LEASING (COMPUTER EQUIPMENT)	8/20/96	8/27/99	3 YEARS	275.25
COMPTON LEASING (COMPUTER EQUIPMENT)	11/4/96	10/27/99	3 YEARS	256.41
COMPTON LEASING (COMPUTER EQUIPMENT)	5/28/97	5/27/00	3 YEARS	741.44
SUMMIT LEASING (HANDHELD COMPUTERS & PTCT SOFTWARE)	5/10/96	5/9/98	2 YEARS	2,109.65
SUMMIT LEASING (HANDHELD COMPUTERS & PTCT SOFTWARE)	8/1/96	5/31/98	22 MONTHS	678.30
CUSTOM DATABASE SYSTEMS (BILLING SOFTWARE)	9/3/97		MONTH-TO- MONTH	1,868.60
CHESTERFIELD FINANCIAL (PHONE SYSTEM)	5/6/97	5/5/00	3 YEARS	627.39
GREAT AMERICA LEASING (COPIER)	5/16/97	5/15/00	3 YEARS	140.22
SHARP ELECTRONIC (FAX & COPIER)	6/18/97	9/17/00	39 MONTHS	322.00
HORIZON FINANCIAL (COMPUTER EQUIPMENT)	9/23/97	9/22/00	3 YEARS	359.81

</TABLE>

EXHIBIT A

1. Amarillo 6800 Plum Creek Dr. Amarillo, Texas 79124
2. Longview 2104 Alpine Rd. Longview, Texas 75601
3. Henderson 1905 Old Nacogdoches Rd. Henderson, Texas 75652
4. Plainview 3404 S.W. 5th Plainview, Texas 79072
5. Mesquite 3700 Oates Dr. Mesquite, Texas 75150
6. Athens 213 Cayuga Dr. Athens, Texas 75751
7. Rowlett 5701 Dexham Rd. Rowlett, Texas 75088
8. Port Arthur 8214 Anchor Dr. Port Arthur, Texas 77642
9. Lufkin 406 Gobblers Knob, Lufkin, Texas 75901
10. Lubbock 8609 Boston Ave. Lubbock, Texas 79423
11. McKinney 101 W. Wilson Creek Pkwy. McKinney, Texas 75069
12. Marshall 2907 Victory, Marshall, Texas 75670

SECTION 3.13(a) - CERTAIN CONTRACTS (CONTINUED)

HCI SHAREHOLDER NOTES AND RELATED DOCUMENTS

HOME AND COMMUNITY CARE, INC.

SHAREHOLDER PROMISSORY NOTES AND RELATED DOCUMENTS

The following original documents executed by the shareholders listed below are being held by Home and Community Care, Inc. ("HCI"), formerly known as LTC Ventures, Inc. ("Ventures"), in a safe at its principal place of business in Oxnard, California:

ACCREDITED INVESTORS:

1. Andre C. Dimitriadis:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$1,250,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
2. William McBride III:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$1,250,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
3. James J. Pieczynski:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$625,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
4. Michael DeShane:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$500,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
5. Pamela J. Privett:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$250,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
6. Christopher T. Ishikawa:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$250,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.
7. Charles Samuel Allmond:
 - a. Promissory Note dated March 27, 1997 in the original principal amount of \$250,000.00;
 - b. Stock Pledge and Security Agreement dated March 27, 1997;
 - c. Stock Assignment Separate from Certificate dated March 27, 1997 for Ventures stock certificate; and
 - d. Stock Assignment Separate from Certificate dated June 30, 1997 for HCI stock certificate.

UNACCREDITED INVESTORS:

1. Evelyn Yalung:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$250,000.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
2. Alex J. Chavez:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$62,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
3. Paul B. Parker:

- a. Promissory Note dated July 31, 1997 in the original principal amount of \$62,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
4. John Stephen Gordon:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$25,000.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
5. Connie J. Baldwin:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$25,000.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
6. Rhonda S. Marsh:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$18,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
7. Keith J. Andrade:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$18,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
8. Gloria J. Haile:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$16,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
9. Ron W. Kerr:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$15,000.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
10. Sandra Campbell:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$12,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
11. Karen Colangelo:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$12,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
12. Mauro Hernandez:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$12,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI

- stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
13. Jonathan S. Emerson:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$12,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
14. Victoria Kontur:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$10,000.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
15. Raad K. Shawaf:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$8,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
16. Robert L. Gold:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$8,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
17. John Costello:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$8,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 28, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
18. Donald B. Maloy:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$8,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 28, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
19. Glen E. Christensen:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$8,750.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
20. Robert C. Jenkins:
- a. Promissory Note dated July 28, 1997 in the original principal amount of \$3,125.00;
 - b. Stock Pledge and Security Agreement dated July 28, 1997;
 - c. Stock Assignment Separate from Certificate dated July 28, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
21. Janet Sehon:
- a. Promissory Note dated July 31, 1997 in the original principal amount of \$3,125.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.

22. Thelma Diane Schander:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$2,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
23. Anne D. Barron:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$2,500.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
24. Deborah A. Leach:
 - a. Promissory Note dated July 29, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 29, 1997;
 - c. Stock Assignment Separate from Certificate dated July 29, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
25. Lora Van Nortwick:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
26. Elizabeth K. Perkins:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
27. Stacey J. Baker:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
28. Rebekah S. Grantham:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
29. Paula Hedrick:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
30. Kathleen Naber-Jordan:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;
 - c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
 - d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.
31. Diana Breaux:
 - a. Promissory Note dated July 31, 1997 in the original principal amount of \$1,250.00;
 - b. Stock Pledge and Security Agreement dated July 31, 1997;

- c. Stock Assignment Separate from Certificate dated July 31, 1997 for HCI stock certificate; and
- d. Supplemental Consultant and Advisor Stock Purchase Program Investment Agreement dated July 31, 1997.

SECTION 3.13(a) - CERTAIN CONTRACTS (CONTINUED)

LIST OF BASIC LOAN DOCUMENTS FOR DENISON, IA

SCHEDULE 3.13(a)

LIST OF BASIC LOAN DOCUMENTS
(Denison, Iowa)

1. Construction Loan Agreement dated July 10, 1997, by and between Home and

Community Care, Inc. (f/k/a LTC Ventures, Inc.), a Nevada corporation, as
Borrower ("HCC") and LTC Properties, Inc., a Maryland corporation, as
"Lender" ("LTC").
2. Promissory Note dated July 10, 1997, by HCC in favor of LTC, in the

principal sum of \$2,200,000.00.
3. Mortgage dated July 10, 1997, by HCC for the benefit of LTC. We have any

recording information, as we have not yet received a copy of the recorded
Mortgage.
4. Security Agreement dated July 10, 1997, by HCC in favor of LTC.

5. UCC-1 Financing Statements (State and County)

(we have not yet received copies of the filed UCC-1's)
6. Environmental Indemnity Agreement dated July 10, 1997, by HCC for the

benefit of LTC.
7. Certificate of Borrower dated July 10, 1997, by HCC.

8. Assignment of Permits and Licenses dated July 10, 1997 by HCC for the

benefit of LTC.
9. Assignment of Construction Contract (and Consent of Contractor) dated

July 10, 1997, by HCC in favor of LTC; consented to by R. D. Stewart, Inc.
(Contractor).
10. Assignment of Architect's Agreement (and Consent of Architect) dated

July 10, 1997 by HCC in favor of LTC; consented to by Kirkwood Rodell
Associates, PS (Architect).
11. Opinion Letter dated July 10, 1997 from Belin Lamson McCormick Zumbach Flynn

(executed by Jeremy C. Sharpe) to LTC.
12. Opinion Letter dated July 22, 1997 from C. Michelle Marlo (Attorney).

SECTION 3.13(a) - CERTAIN CONTRACTS (CONTINUED)

LIST OF BASIC LOAN DOCUMENTS FOR ATLANTIC, IA

SCHEDULE 3.13 (a)

LIST OF BASIC LOAN DOCUMENTS
[Atlantic, Iowa]

1. CONSTRUCTION LOAN AGREEMENT dated July 10, 1997, by and between Home and

Community Care, Inc. (f/k/a/ LTC Ventures, Inc.), a Nevada corporation, as
Borrower ("HCC") and LTC Properties, Inc., a Maryland corporation, as
"Lender" ("LTC").
2. PROMISSORY NOTE dated July 10, 1997, by HCC in favor of LTC, in the

principal sum of \$2,200,000.00.

3. MORTGAGE dated July 10, 1997, by HCC for the benefit of LTC. We have any

recording information, as we have not yet received a copy of the recorded
Mortgage.
4. SECURITY AGREEMENT dated July 10, 1997, by HCC in favor of LTC.

5. UCC-1 FINANCING STATEMENTS (STATE AND COUNTY)

[we have not yet received copies of the filed UCC-1's]
6. ENVIRONMENTAL INDEMNITY AGREEMENT dated July 10, 1997, by HCC for the

benefit of LTC.
7. CERTIFICATE OF BORROWER dated July 10, 1997, by HCC.

8. ASSIGNMENT OF PERMITS AND LICENSES dated July 10, 1997, by HCC for the

benefit of LTC.
9. ASSIGNMENT OF CONSTRUCTION CONTRACT (AND CONSENT OF CONTRACTOR) dated July

10, 1997, by HCC in favor of LTC; consented to by R. D. Stewart, Inc.
(Contractor).
10. ASSIGNMENT OF ARCHITECT'S AGREEMENT (AND CONSENT OF ARCHITECT) dated July

10, 1997, by HCC in favor of LTC; consented to by Kirkwood Rodell
Associates, PS (Architect).
11. a. OPINION LETTER dated July 10, 1997, from Belin Lamson McCormick

Zumbach Flynn (executed by Jeremy C. Sharpe) to LTC.
12. b. OPINION LETTER dated July 22, 1997, from C. Michelle Marlo, Esq. To

LTC.

SECTION 3.14 ENVIRONMENTAL LIABILITY

LIST OF PHASE 1 ENVIRONMENTAL REPORTS
PREPARED BY C-K ASSOCIATES FOR HCI DEVELOPMENT PROJECTS

SECTION 3.15 PROPERTIES

OWNED PROPERTIES AND PROPERTIES UNDER OPTION
OR PURCHASE AND SALE AGREEMENTS

SCHEDULE 3.15
OWNED PROPERTIES AND PROPERTIES UNDER OPTION OR
PURCHASE AND SALE AGREEMENT

as of 10/3/97

<TABLE>
<CAPTION>

	CITY	STATE	UNITS	STATUS
<S> <C>	<C>	<C>	<C><C>	
1	Atlantic	IA	30	CLOSED
2	Carroll	IA	35	CLOSED
3	Denison	IA	35	CLOSED
4	Houma	LA	48	CLOSED
5	Baton Rouge	LA	39	Purch. Agmt. Executed, In Escrow
6	Bunkie	LA	39	Purch. Agmt. Executed, In Escrow
7	Clarinda	IA	35	Purch. Agmt. Executed, In Escrow
8	Council Bluffs	IA	48	Purch. Agmt. Executed, In Escrow
9	Milton	FL	39	Purch. Agmt. Executed, In Escrow

10	NW Pensacola	FL	39 Purch. Agmt. Executed, In Escrow
11	Brazil	IN	39 Purch. Agmt. Executed, In Escrow
12	LaPorte	IN	39 Purch. Agmt. Executed, In Escrow
13	Lawrenceburg	IN	39 Option Signed
14	Martinsville/Mooresville	IN	39 Option Signed
15	Plainfield	IN	39 Option Signed
16	Terre Haute	IN	39 Option Signed
17	Mansfield	OH	39 Option Signed
18	Middletown	OH	39 Option Signed, Purch. Agmt. out for sig.
19	Xenia	OH	39 Option Signed, Purch. Agmt. out for sig.
20	Wooster	OH	39 Option Signed

</TABLE>

EXHIBIT 11
LTC PROPERTIES, INC.
COMPUTATION OF NET INCOME PER SHARE (UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNT)

<TABLE>
<CAPTION>

	Three months ended 1997	September 30, 1996
	-----	-----
<S>	<C>	<C>
PRIMARY:		(Restated)
Net income applicable to common shares	\$ 7,545	\$ 5,636
	=====	=====
Applicable common shares:		
Weighted average outstanding shares during the period	23,680	18,861
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options using the the treasury stock method)	215	435
	-----	-----
Total	23,895	19,296
	=====	=====
Net income per share of common stock	\$ 0.32	\$ 0.29
	=====	=====
FULLY DILUTED:		
Net income	\$ 7,545	\$ 5,636
Add back minority interest	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 9.75% convertible subordinated debentures	18	24
Reduction of interest and amortization expenses resulting from assumed conversion of 8.5% convertible subordinated debentures	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 8.25% convertible subordinated debentures	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 7.75% convertible subordinated debentures	- (a)	- (a)
Less applicable income taxes	-	-
	-----	-----
Adjusted net income applicable to common shares	\$ 7,563	\$ 5,660
	=====	=====
Applicable common shares:		
Weighted average outstanding shares during the period	23,680	18,861
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options using the treasury stock method)	216	435
Assumed conversion of partnership units	- (a)	- (a)
Assumed conversion of 9.75% convertible subordinated debentures	67	95
Assumed conversion of 8.5% convertible subordinated debentures	- (a)	- (a)
Assumed conversion of 8.25% convertible subordinated debentures	- (a)	- (a)
Assumed conversion of 7.75% convertible subordinated debentures	- (a)	- (a)
Less contingent shares	-	-
	-----	-----
Total	23,963	19,391
	=====	=====
Net income per share of common stock	\$ 0.32	\$ 0.29
	=====	=====

</TABLE>

a) Conversion of partnership units and convertible subordinated debentures would be anti-dilutive and is therefore not assumed in the computation of fully diluted net income per share of common stock.

LTC PROPERTIES, INC.
EXHIBIT 11
COMPUTATION OF NET INCOME PER SHARE (UNAUDITED)
(IN THOUSANDS EXCEPT PER SHARE AMOUNT)

<TABLE>
<CAPTION>

	Nine months ended 1997	September 30, 1996
	-----	-----
<S>	<C>	<C>
PRIMARY:		(Restated)
Net income applicable to common shares	\$ 21,750	\$ 22,373
	=====	=====

Applicable common shares:

Weighted average outstanding shares during the period	22,840	18,609
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options using the treasury stock method)	331	424
Total	23,171	19,033
Net income per share of common stock	\$ 0.94	\$ 1.18
FULLY DILUTED:		
Net income	\$ 21,750	\$ 22,373
Add back minority interest	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 9.75% convertible subordinated debentures	60	124
Reduction of interest and amortization expenses resulting from assumed conversion of 8.5% convertible subordinated debentures	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 8.25% convertible subordinated debentures	- (a)	- (a)
Reduction of interest and amortization expenses resulting from assumed conversion of 7.75% convertible subordinated debentures	- (a)	- (a)
Less applicable income taxes	-	-
Adjusted net income applicable to common shares	\$ 21,810	\$ 22,497
Applicable common shares:		
Weighted average outstanding shares during the period	22,840	18,609
Weighted average shares issuable upon exercise of common stock equivalents outstanding (principally stock options using the treasury stock method)	332	433
Assumed conversion of partnership units	- (a)	- (a)
Assumed conversion of 9.75% convertible subordinated debentures	79	164
Assumed conversion of 8.5% convertible subordinated debentures	- (a)	- (a)
Assumed conversion of 8.25% convertible subordinated debentures	- (a)	- (a)
Assumed conversion of 7.75% convertible subordinated debentures	- (a)	- (a)
Less contingent shares	-	-
Total	23,251	19,206
Net income per share of common stock	\$ 0.94	\$ 1.17

</TABLE>

- a) Conversion of partnership units and convertible subordinated debentures would be anti-dilutive and is therefore not assumed in the computation of fully diluted net income per share of common stock.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM 10-Q AS OF SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

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<EPS-PRIMARY>	0.32	0.94
<EPS-DILUTED>	0.32	0.94

</TABLE>