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Vol M05 Page 60670

PREPARED BY,
RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

PLEASE RETURN TO

RE: DRI
8130 SW Beaverton-Hillsdale Hwy.
Portland, OR 97225

State of Oregon, County of Klamath
Recorded 08/03/05 8:38 AM
Vol M05 Pg 60670-77
Linda Smith, County Clerk
Fee \$ 56.00 # of Pgs 8

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MEMORANDUM OF MASTER LEASE AGREEMENT (II)

THIS MEMORANDUM OF MASTER LEASE AGREEMENT (II) ("**Memorandum**") is made effective as of July 11, 2005, by and between LTC PROPERTIES, INC., a Maryland corporation ("**Landlord**"), and ASSISTED LIVING CONCEPTS, INC., a Nevada corporation, CARRIAGE HOUSE ASSISTED LIVING, INC., a Delaware corporation, and EXTENDICARE HEALTH SERVICES, INC., a Delaware corporation (collectively, "**Tenant**").

WITNESSETH

WHEREAS, Landlord and Tenant entered into a Master Lease Agreement (II) dated as of January 31, 2005 (the "**Lease**") pursuant to which Landlord leases to Tenant the following described property (the "**Leased Premises**"): (a) the land described in Exhibit "A" attached hereto (the "**Land**"), together with all appurtenances thereto, as well as the buildings, structures and other improvements now or hereafter constructed on the Land, and (b) the fixtures, machinery, equipment and other property described in the Lease; and

WHEREAS, the parties hereto desire to execute and record this Memorandum, pursuant to the terms set forth in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Landlord and Tenant confirm that Landlord has agreed to lease to Tenant, and Tenant has agreed to lease from Landlord, the Leased Premises upon the terms and conditions set forth in the Lease.

The essential terms of the Lease are as follows:

1. Landlord. The name of the Landlord under the Lease is LTC Properties, Inc.
2. Tenant. The name of the Tenant under the Lease is Assisted Living Concepts, Inc., Carriage House Assisted Living, Inc., and Extendicare Health Services, Inc.

3. Notices. All notices to Landlord shall be sent to:

LTC Properties, Inc.
 22917 Pacific Coast Highway, Suite 350
 Malibu, California 90265
 Attention: Chief Executive Officer
 Facsimile: (805) 981-8663

with a copy to:

Reed Smith LLP
 599 Lexington Avenue, 29th Floor
 New York, New York 10022
 Attention: Herbert Kozlov
 Facsimile: (212) 521-5450

All notices to Tenant shall be sent to:

Extendicare Health Services, Inc.
 111 West Michigan Street
 Milwaukee, Wisconsin 53203-2903
 Attention: Sr. Vice President and CFO
 Facsimile: (414) 908-8111

with a copy to:

Extendicare Health Services, Inc.
 111 West Michigan Street
 Milwaukee, Wisconsin 53203-2903
 Attention: General Counsel
 Facsimile: (414) 908-8481

4. Date of Lease. The Lease is dated as of January 31, 2005.

5. Leased Premises. The Land described on **Exhibit "A"** attached hereto and made a part hereof, together with all appurtenances thereto, as well as the buildings, structures and other improvements now or hereafter constructed on the Land, and all fixtures, machinery, equipment and other property described in the Lease.

6. Term. The Term of the Lease commenced on January 1, 2005, and terminates on December 31, 2014.

7. Options to Extend. Tenant has three (3) options to extend the Term of the Lease for three (3) separate additional periods of ten (10) years each.

8. No Liens. Among other things, the Lease provides, and Landlord and Tenant hereby confirm, that neither Tenant nor anyone claiming by, through, or under Tenant, including without limitation, contractors, subcontractors, materialmen, mechanics and laborers, shall have any mechanics', materialmans' or construction liens of any sort whatsoever upon the interest of Landlord in the Leased Property (as defined in the Lease), and, to the contrary, any such lien is specifically prohibited. All parties with whom Tenant may deal are hereby put on notice that Tenant has no power to subject the interest of Landlord in the Leased Property to any claim or lien of any kind or character, and all such persons dealing with Tenant must look solely to Tenant for payment and not to Landlord's interest in the Leased Property or any other asset of Landlord.

5. Provisions Binding. The terms, conditions, provisions, covenants and agreements set forth in the Lease shall be binding upon the Landlord and Tenant, their respective heirs, legal representatives, successors and assigns, and shall be deemed to be covenants running with the Leased Property. In addition to those terms referred to herein, the Lease contains numerous other terms, conditions and provisions. In the event of any conflict between the provisions of this Memorandum and the Lease, the provisions of the Lease shall govern, control and prevail in all instances.

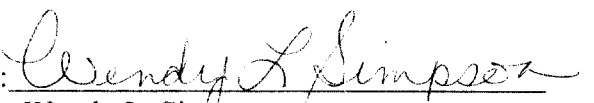
6. Counterparts. This Memorandum may be executed in one or more separate counterparts, each of which, once they are executed, shall be deemed to be an original. Such counterparts shall be and constitute one and the same instrument.

This Memorandum is intended for recording purposes only and does not supersede, diminish, add to or change in any way the terms of the Lease.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be signed respectively by their proper officers effective as of July 11, 2005.

"LESSOR"

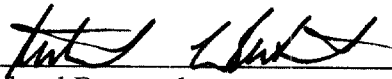
LTC Properties, Inc.,
a Maryland corporation

By: 
Wendy L. Simpson
Vice Chairman and Chief Financial Officer

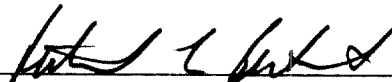
[signatures continue on the following page]

"LESSEE"

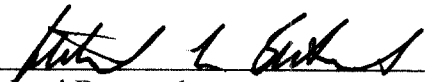
Assisted Living Concepts, Inc.,
a Nevada corporation,

By: 
Richard Bertrand
Senior Vice President and CFO

Carriage House Assisted Living, Inc.,
a Delaware corporation

By: 
Richard Bertrand
Senior Vice President and CFO

Extendicare Health Services, Inc.
a Delaware corporation

By: 
Richard Bertrand
Senior Vice President and CFO

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CERTIFICATE OF ACKNOWLEDGEMENT OF NOTARY PUBLIC

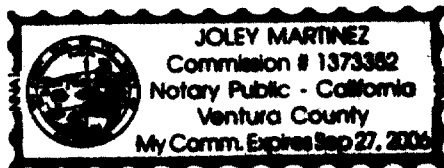
STATE OF CALIFORNIA)

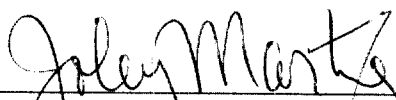
COUNTY OF LOS ANGELES)

On July 20, 2005, before me, Joley Martinez, a notary public in and for said County and State, personally appeared WENDY L. SIMPSON personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person, acted, executed the instrument.

WITNESS my hand and official seal.

NOTARY SEAL




Name: Joley Martinez
My Commission Expires: 09/27/06

(acknowledgements continue on the following page)

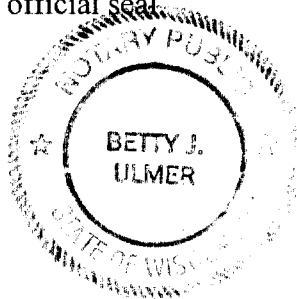
CERTIFICATE OF ACKNOWLEDGEMENT OF NOTARY PUBLIC

STATE OF WISCONSIN)
) ss.
 COUNTY OF MILWAUKEE)

On July 11, 2005, before me, Betty Ulmer, Notary Public, personally appeared RICHARD BERTRAND, personally known to me (or proved on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

NOTARY SEAL



Betty J. Ulmer
 Name: Betty J. Ulmer
 My Commission is permanent

STATE OF WISCONSIN)
) ss.
 COUNTY OF MILWAUKEE)

On July 11, 2005, before me, Betty Ulmer, Notary Public, personally appeared RICHARD BERTRAND, personally known to me (or proved on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal

NOTARY SEAL



Betty J. Ulmer
 Name: Betty J. Ulmer
 My Commission is permanent

(acknowledgements continue on the following page)

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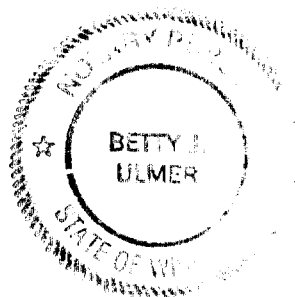
CERTIFICATE OF ACKNOWLEDGEMENT OF NOTARY PUBLIC

STATE OF WISCONSIN)
) ss.
COUNTY OF MILWAUKEE)

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WITNESS my hand and official seal.

NOTARY SEAL





Name: Betty J. Ulmer
My Commission is permanent

EXHIBIT "A"

LEGAL DESCRIPTION

TRACTS 14 AND 17, KIELSMEIER ACRE TRACTS, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.