

Assisted Living Concepts, Inc. Enters Into Agreement to Acquire Nine Senior Living Residences

MENOMONEE FALLS, WISCONSIN October 12, 2010

Assisted Living Concepts, Inc. (“ALC”) (NYSE:ALC) announced today that it entered into an agreement to acquire nine senior living residences from HCP, Inc. (NYSE: HCP). The nine residences are currently leased and operated by ALC under leases expiring between 2010 and 2012. The transaction, which is subject to customary closing conditions, is expected to close on or around October 31, 2010. The purchase price is \$27.5 million plus certain transaction costs. The nine residences, two of which are located in New Jersey and seven in Texas, contain a total of 365 units. Occupancy of the nine residences is currently 60.0%. Upon completion of this transaction we expect pre-tax cash flow to improve by approximately \$1.0 million because of the differential between current lease payments and expected future interest expense. After accounting for taxes we expect cash flow per share to improve by approximately \$0.05 per share.

“We are pleased to have reached agreement with HCP to purchase these properties,” commented Laurie Bebo, President and Chief Executive Officer of Assisted Living Concepts, Inc. “In addition to upside opportunities in the existing portfolio, the better performing properties have excess land that may provide good expansion opportunities in the future. After this transaction is completed we will own 161 of our properties or 76% of our total residences.”

Non-GAAP Financial Measures

Cash Flow per Share

Cash flow is defined as cash provided by operating activities. Cash flow per share is defined as cash flow divided by the weighted average diluted common shares outstanding for a fiscal period. Cash flow per share is not a measure of performance under accounting principles generally accepted in the United States of America, or GAAP. We use cash flow per share as a performance indicator.

We understand that cash flow per share may be used by financial analysts and investors as a performance measure in evaluating a company’s ability to service debt and meet other payment obligations or as a common valuation measurement in the long-term care industry. We believe cash flow per share provides meaningful supplemental information because this measure excludes the effects of non-operating factors related to our capital assets, such as depreciation and amortization related to the assets.

About Us

Assisted Living Concepts, Inc. and its subsidiaries operate 211 senior living residences comprising 9,305 units in 20 states. ALC’s senior living facilities typically consist of 40 to 60 units and offer residents a supportive, home-like setting and assistance with the activities of daily living. ALC employs approximately 4,100 people.

Forward-looking Statements

Statements contained in this release other than statements of historical fact, including statements regarding anticipated financial performance, business strategy and management’s plans and objectives for future operations, including management’s expectations about improving occupancy and private pay mix, are forward-looking statements. Forward-looking statements generally include words such as “expect,” “project,” “point toward,” “intend,” “will,” “indicate,” “anticipate,” “believe,” “estimate,” “plan,” “strategy” or “objective.” Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied. In addition to the risks and uncertainties referred to in the release, other risks and uncertainties are contained in ALC’s filings with United States Securities and Exchange Commission and include, but are not limited to, the following: changes in the health care industry in general and the senior housing industry in particular

because of governmental and economic influences; changes in general economic conditions, including changes in housing markets, unemployment rates and the availability of credit at reasonable rates; changes in regulations governing the industry and ALC's compliance with such regulations; changes in government funding levels for health care services; resident care litigation, including exposure for punitive damage claims and increased insurance costs, and other claims asserted against ALC; ALC's ability to maintain and increase census levels; ALC's ability to attract and retain qualified personnel; the availability and terms of capital to fund acquisitions and ALC's capital expenditures; changes in competition; and demographic changes. Given these risks and uncertainties, readers are cautioned not to place undue reliance on ALC's forward-looking statements. All forward-looking statements contained in this report are necessarily estimates reflecting the best judgment of the party making such statements based upon current information. ALC assumes no obligation to update any forward-looking statement.

Supplementary Financial Information The following table is limited to financial information for the nine leased residents described above (in thousands, except per share number)

Assumed annual lease expense	2,780	(1)
Assumed interest expense	<u>1,787</u>	(2)
Indicated pre-tax change in cash flow	993	
Assumed additional tax expense on change in cash flow	<u>362</u>	(3)
Indicated after tax increase in cash flow	631	
Assumed weighted average diluted common shares outstanding	<u>11,738</u>	(4)
Indicated change in cash flow per share	<u>\$ 0.05</u>	

(1) Based on management's estimate of 2011 annual lease expense assuming all expiring leases are renewed and both renewed and continuing lease expense is equal to annualized 2010 lease expense plus a 2% increase

(2) Based on borrowings of \$27.5 million at 6.5%

(3) Based on a tax rate of 36.5%

(4) Weighted average diluted common shares outstanding for the quarter ended June 30, 2010

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