

**Assisted Living Concepts, Inc.**

**BOARD OF DIRECTORS COMPENSATION/NOMINATING/GOVERNANCE  
COMMITTEE CHARTER**

*Adopted as of October 31, 2006*

**PURPOSE**

The purposes of the Compensation/Nominating/Governance Committee (the "Committee") of the Board of Directors (the "Board") of Assisted Living Concepts, Inc. (the "Company") shall be to oversee the Company's compensation plans and practices, including its executive officer compensation plans and its incentive-compensation and equity-based plans, to produce a report on executive officer compensation to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the Securities and Exchange Commission (the "SEC"), to identify and recommend to the Board individuals qualified to serve as directors of the Company and on committees of the Board, to advise the Board with respect to the Board's composition, procedures and committees, to develop and recommend to the Board a set of corporate governance guidelines applicable to the Company and to oversee annual self-evaluations of the Board and the Board's committees.

**COMPOSITION**

1. The Committee shall consist of three (3) or more directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the New York Stock Exchange (the "NYSE") and any additional requirements that the Board deems appropriate. Members of the Committee shall also qualify as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and as "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall satisfy any other necessary standards of independence under the federal securities and tax laws.
2. The chairperson of the Committee shall be designated by the Board, provided that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.
3. Any vacancy on the Committee shall be filled by majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board.
4. The Chief Executive Officer (the "CEO") of the Company shall be an "ex-officio" member of the Committee.

**MEETINGS AND PROCEDURES**

5. The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than two (2) times annually. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate, provided that no subcommittee shall consist of fewer than two (2) members and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.
6. A majority of the members of the Committee present in person or otherwise (such as by means of a telephone conference call whereby all persons participating in the meeting can hear each other) shall constitute a quorum.

7. The Committee shall maintain minutes of its meetings and records relating thereto and shall provide copies of such minutes and records to the Board.

## **DUTIES AND RESPONSIBILITIES**

### ***Executive Officer Compensation***

8. The Committee shall have the following duties and responsibilities with respect to the Company's executive officer compensation plans:
  - (a) To review at least annually the goals and objectives of the Company's executive officer compensation plans and, if the Committee deems it appropriate, amend or recommend that the Board amend these goals and objectives.
  - (b) To review at least annually the Company's executive officer compensation plans in light of the Company's goals and objectives with respect to such plans and, if the Committee deems it appropriate, adopt new or amended executive officer compensation plans.
  - (c) To evaluate annually the performance of the Company's CEO in light of the goals and objectives of the Company's executive officer compensation plans and determine and approve the CEO's compensation based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative stockholder return, the value of similar awards to chief executive officers or presidents of comparable companies, and the awards given to the Company's CEO in past years. The Committee may discuss the CEO's compensation with the Board if it chooses to do so.
  - (d) To evaluate annually the performance of the Company's other executive officers in light of the goals and objectives of the Company's executive officer compensation plans and determine and approve the compensation of such other executive officers based on this evaluation. To the extent that long-term incentive compensation is a component of such executive officers' compensation, the Committee shall consider all relevant factors in determining the appropriate level of such compensation, including the factors used to determine the CEO's incentive compensation.
  - (e) To review and approve any severance or termination arrangements to be made with any executive officer of the Company.
  - (f) To produce a Committee report on executive officer compensation as required by the SEC to be included in the Company's annual proxy statement or annual report on Form 10-K filed with the SEC.
  - (g) To perform such duties and responsibilities as may be assigned to the Committee under the terms of any executive officer compensation plan.

### ***Non-Executive-Officer Compensation***

9. The Committee shall have the following duties and responsibilities with respect to the Company's compensation plans, including incentive-compensation and equity-based plans:
  - (a) To review at least annually the goals and objectives of the Company's compensation plans, including incentive-compensation and equity-based plans and, if the Committee deems it appropriate, amend or recommend that the Board amend these goals and objectives.
  - (b) To review at least annually the Company's compensation plans, including incentive-compensation and equity-based plans, in light of the goals and objectives of these plans and, if the Committee deems it appropriate, amend any incentive-compensation or equity-based plans.

- (c) To review all equity-compensation plans to be submitted for stockholder approval under the NYSE listing standards. To review and, in the Committee's sole discretion, approve all equity-compensation plans that are exempt from such stockholder approval requirement.
- (d) To perform such duties and responsibilities as may be assigned to the Committee under the terms of any compensation plans, including any incentive-compensation or equity-based plans.
- (e) To evaluate annually the appropriate level of compensation for Board and Committee service and make recommendations to the Board with respect to the appropriate level of compensation for such Board and Committee service.

### ***Nominating and Governance***

10. The Committee shall have the following duties and responsibilities with respect to nominations to the Board, the appointment of officers and governance of the Company:
  - (a) To review information on candidates for membership on the Board and make recommendations to the Board with respect to such candidates (including those candidates designated by the Company's stockholders); provided that candidates for the position of Chairman of the Board are the responsibility of the full Board.
  - (b) To review information on candidates for officer positions and make recommendations to the Board with respect to such candidates.
  - (c) To assess the effectiveness of the Board and its various committees and, if the Committee deems it appropriate, recommend that the Board amend the structure or membership of the Board or its committees.
  - (d) To develop governance practices and recommend amendments to those practices, where appropriate, to the full Board for approval.
  - (e) To oversee annual self-evaluations of the Board and its committees.

### **EVALUATION**

11. The Committee shall, on an annual basis, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes to the Charter as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which such information and recommendations were discussed or debated and the adequacy of the number and length of meetings of the Committee for completing its work in a thorough and thoughtful manner.
12. The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

### **INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS**

13. The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary. The Committee shall have the sole authority to retain or terminate any compensation consultant to assist the Committee in carrying out its

responsibilities, including sole authority to approve the consultant's fees and other retention terms, with such fees to be borne by the Company.

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